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WORLD NEWS

Churchill obscenity bill fails

A Tory backbench attempt to extend the Obscene Publications Act to cover broadcasting collapsed yesterday after a Commons filibuster by opposition MPs.

The amendment ran out of time after Tory MP Winston Churchill failed to win enough support to force a vote.

It would have made broadcasters liable to prosecution for publishing material tending to "deprave or corrupt." Supporters said present broadcasting rules were ineffective.

Earlier, an attempt by Labour MP Clare Short to extend the Churchill bill to newspapers was ruled out of order. Four women were ejected from the Commons public gallery after showering MPs with leaflets protesting against newspaper pictures of topless models. Page 6

Rightists protest

Hundreds of extreme rightwing South African whites shouted down a speech by Deputy Information Minister Louis Nel, underlining the depth of opposition to reform. Page 2

Madrid bomb kills five

Five members of the Guardia Civil paramilitary police corps were killed and two badly hurt by a car bomb in central Madrid. Basque separatists are suspected. Page 2

Prison action spreads

Prison officers' leaders instituted further and more widespread industrial action, saying new manning arrangements were being implemented across the service." Page 4

'Satanist' jailed

Self-styled satanist Derry Mainwaring Knight was jailed for seven years and fined £50,000 at Maidstone Crown Court for obtaining £200,000 by deception. He told victims, wealthy Christians, that the money would help him escape the devil.

Lambeth Tories blocked

The High Court blocked an attempt by Conservative councillors in the London borough of Lambeth to use their new majority to change council spending plans.

Rebels snub offer

Sudan's southern rebels rejected an offer from the Umma Party, which won this month's elections, to join a government of national unity.

Heavy Beirut shelling

Christian and Moslem gunners exchanged artillery, tank and rocket fire in Beirut in the heaviest shelling for five weeks. Nine civilians died.

Cuban call for jewellery

The Cuban Government urged people to sell their jewellery and old coins to the central bank to boost the country's international reserves.

Waldheim denial

A campaign spokesman said attempts to ban Austrian presidential candidate Dr Kurt Waldheim from entering the US were unjustified. Page 2

Fewer EEC jobless

The number of unemployed in the EEC fell 273,000 to 16.4m last month, but was 300,000 higher than a year ago.

Twelve guerrillas die

Twelve guerrillas were killed in a raid by security forces on a Tamil separatist base in east Sri Lanka, Colombo said.

Marilyn sells

A signed photograph of Marilyn Monroe sold for £17,600 at Sotheby's to an American collector. It had been estimated at less than £5,000.

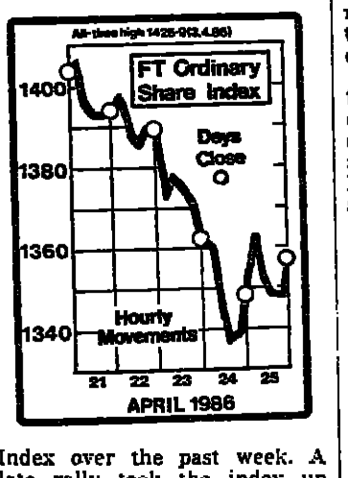
BUSINESS SUMMARY

Building societes plan merger

TWO Yorkshire-based building societies, the Bradford and Bingley and the Yorkshire, are to merge by the end of the year subject to shareholder approval.

The merger would create the UK's seventh largest society, to be named the Yorkshire Building Society, with nearly £6bn assets. Back Page

LONDON equities investors were cautious in view of fluctuations which culminated in a 45.2 fall in the FT Ordinary Share



Index over the past week. A late rally took the index up 9.9 to end the day at 1,357.9. Page 14

DOLLAR lost ground in thin trading, closing 1.8 pfennigs down at DM 2.181 in London. Its index fell 0.5 to 114.1. Page 13

GOVERNMENT hinted at readiness to change oil tax rules to reduce the cuts in North Sea development caused by the oil price collapse. Back Page

NORWEGIAN Government referred the oil production workers' dispute, which began on April 6, to compulsory arbitration. Back Page

SWEDEN'S revised budget gave a more optimistic view of economic prospects based on lower oil prices and interest rates and a more favourable dollar exchange rate. Page 2

HONG KONG businessman Li Kashing and seven executives were censured by the colony's Insider Dealing Tribunal over share trading in property group International City Holdings. Page 11

HANG SENG index on Hong Kong stock market rose 10 points to a record 1,834.62, providing a buoyant setting for the flotation of Cathay Pacific. World Stock Markets, Page 12

GARY DARTNALL, who led the unsuccessful attempt at a management buy-out of Thorn EMI's Screen Entertainment arm—now part of Bond Corporation of Australia—is to leave the company. Back Page

ITV advertising revenue totalled £258.2m in the first quarter of 1986, up 25 per cent. Page 3

EUROPCAR, UK offshoot of the Renault-owned rentals group, is placing a £51.3m order for 10,000 cars and vans with 11 manufacturers. Page 4

SOVIET UNION may scale down or cancel two petrochemical projects worth over £1bn for which UK companies are bidding. Page 3

DASSAULT, French aircraft maker, may pass out of state control if the Dassault family carries out plans to buy back 9 per cent of shares. Page 11

COCKERILL SAMBRE, Belgian state-owned steel producer, expects to shed more jobs after a 1985 net loss of BFr 6bn (£88m). Page 11

EXTEL, business and sporting data group fighting a bid from Demerger Corporation, may face a takeover attempt from Robert Maxwell. Page 10

MARKETS

DOLLAR
New York lunchtime:
DM 2.17675
FFr 6.9475
SFr 1.81205
Y168.2
London:
DM 2.181 (2.199)
FFr 6.9475 (7.015)
SFr 1.8215 (1.8385)
Y168.15 (168.75)
Dollar index 114.1 (114.6)
Tokyo close Y170.3

US LUNCHTIME RATES
Fed Funds 6⅜%
3-month Treasury Bills: yield: 6.29%
Long Bond: 119 43/64
yield: 7.58%

GOLD
New York: Comex June latest $347.8
London: $345.0 ($344.75)

STERLING
New York lunchtime $1.5445
London: $1.538 (1.5355)
DM 3.355 (3.3775)
FFr 10.685 (10.77)
SFr 2.8025 (2.8225)
Y258.5 (259.25)
Sterling index 75.9 (76.4)

LONDON MONEY
3-month interbank: closing rate 10⅛% (same)

NORTH SEA OIL
Brent 15-day May $11.85 ($12.60)

STOCK INDICES
FT Ord 1,357.9 (+9.9)
FT-A All Share 797.32 (+0.3%)
FT-SE 100 1,622.6 (+7.1)
FT-A long gilt yield index: High coupon 8.91 (8.91)
New York lunchtime:
DJ Ind Av 1,822.79 (—8.93)
Tokyo:
Nikkei 15,659.88 (+7.83)

Chief price changes yesterday. Back Page

CONTINENTAL SELLING PRICES: Austria Sch 20; Belgium BFr 45; Denmark DKr 8; France Fr 6.00; W Germany DM 2.20; Ireland 60p; Italy L1,300; Malta 25c; Netherlands Fl 2.75; Norway NKr 7.00; Portugal Esc 90; Spain Pta 125; Sweden SKr 7.00; Switzerland Fr 2.20.

Libyan trainee pilots among 300 students forced to leave UK

BY JOHN HUNT IN LONDON AND PAUL BETTS IN PARIS

MORE THAN 300 Libyan trainee aeronautical engineers and pilots will have to leave Britain in the next fe wweeks as a result of an order made by Mr Nicholas Ridley, Transport Secretary, under the Aviation Security Act.

The order means the Libyans will not be able to continue their courses. When their six-month educational visas expire, they will have to leave the country.

The Government was at pains to stress it was not formally expelling the Libyans. But the order is part of the co-ordinated action being taken with other European countries to limit the scope for Libyan terrorism.

The British move coincided with a decision by Spain to expel 11 Libyans, including three diplomats whose activities "were incompatible with their duties and functions," and the announcement of a French clamp-down on Libyan diplomats.

Paris did not specify how many Libyans would be expeled but it also promised restrictions and curbs on diplomats and consular representatives.

These included confining Libyan representatives to Paris and Marseilles, where the country's diplomats and consular officials are located, and delays in issuing visas allowing the entry of Libyans into France. This brings to five the number of EEC countries which have announced expulsions of Libyans since EEC foreign ministers decided on Monday to reduce their numbers in the Community.

In a Commons written answer yesterday, the Prime Minister said Mr Douglas Hurd, Home Secretary, would not hesitate to use his powers to curtail the stay of the Libyan engineers and pilots or initiate deportation action if they did not leave voluntarily.

The Government move came as the 22 Libyan students already expelled flew out of Heathrow airport, London. The 22 were detained in police raids throughout the week.

The move against the trainees was "a security decision," Mr Ridley said yesterday. "There is always a risk there. It is right in the circumstances to take this action."

He said the public would fail to understand if the trainee engineers were allowed to continue working on civil aircraft that would later be carrying passengers. Nor would people understand Libyan pilots being permitted to fly solo anywhere over Britain.

The directive forbids the trainees to fly solo and prohibits the engineers access to aircraft or working parts destined for an aircraft.

Continued on Back Page
Move to allay tourist fears, Page 4

BUSINESSMAN KILLED

THE SHOOTING of a prominent British businessman in the French city of Lyons was being treated last night as a mystery by French and British authorities in France.

Police in Lyons were still unable to determine whether Mr Kenneth Marston, managing director of Black & Decker France, a US group, had been the victim of criminals or of political terrorists.

Mr Marston was shot dead outside his home in Lyons yesterday. He was aged 43 and a leading figure in the Lyons business community.

Police appeared to consider that his death was more a case of criminal murder than an act of political terrorism. They said the murder weapon was a shotgun used for wild boar hunting and was not usually used by terrorists but criminals.

However, they were not ruling out the possibility that Mr Marston had been the victim of terrorists. An unknown Arab group claimed responsibility for the shooting.

Continued on Back Page

Asda-MFI plans to sell cars through superstores

BY JOHN GRIFFITHS

ASDA-MFI, the third largest retail group in the UK, is entering the retail motor trade.

It will announce next week the launch of Asdadrive, which will embrace sales of new cars supplied by many main manufacturers, credit finance, servicing, repairs and the acceptance of used cars as trade-ins.

It will represent the first venture by a stores chain into multi-franchise car retailing and could have an impact in the medium- to long-term on the structure of car sales and service in the UK. Other large retailing groups that have also explored tentatievly the motor trade's potential, are expected to watch Asdadrive closely.

The venture arises from two years of research and planning and will involve its first six of Asda's 104 superstores. The first four sales outlets, prominent within each store, will open in June. Service and repair centres are being set up at separate sites nearby.

The group believes that, if the scheme lives up to expectations it can be extended to others of its superstores without difficulty.

The premise is that, despite the fierce competition in the motor trade, adequate profits can be made by applying the group's sqills in high-ovlume, low-cost trading, with strong emphasis on standards of service and modest margins on each aspect of the business.

Asda seems convinced it can capitalise on two facets of the traditional motor trade which have drawn criticism—customers' uncertainty because of widespread discounts and dissatisfaction with dealers' after-sale service.

Its prices, for new cars and trade-ins (to be disposed of through auction houses), are not to be negotiable but are to be competitive with dealers' discounted prices.

Courtesy cars will be provided while customers' cars are being serviced.

Asda was approached nearly two years ago by Mr Graeme Miller, a former managing director of FSO Cars, an importer of Polish-made cars and marketing director of Mazda Cars UK, and Mr John Klaymar, a non-executive director of Marketing, Motivation and Management.

Asdadrive has been set up as a joint venture with them, though Asda will have a substantial majority shareholding. Mr Klaymar is to be chief executive and Mr Miller managing director.

The Asdadrive board will have Asda executives in the majority, with Mr Paul Dowling, the group's corporate planning director, as chairman.

Mr Dowling has described the venture as "a serious entry into a very large market which has a lot of potential."
network.

Asda spent £100m last year on store development and declared pre-tax profits of £72.2m in the first half of this year.

Harder road ahead. Page 4;
Asda checks out a new deal, Page 8

Visibles balance falls to record low

BY GEORGE GRAHAM

BRITAIN'S visible trade balance fell to its worst recorded level last month, following a reduction in the oil trade surplus and a sharp deterioration in the non-trade deficit.

The current account of the UK balance of payments, including invisibles as well as visible trade, showed a deficit of £538m in March, the first deficit since March last year. Meanwhile, the visible trade balance sank to a deficit of £1.14bn compared with February's £335m deficit, the Department of Trade and Industry said yesterday.

For the first quarter the current account showed a surplus of £863m, and the Treasury is sticking to its Budget forecast of a £3½bn surplus for this year. However, economists in the City said the worse than expected March trade figures reinforced existing doubts about this forecast.

Sterling initially showed little reaction but fell sharply later in the day. It closed in London at DM 3.355, 2¼ pfennigs below Thursday's London close. Against a generally slightly weakening dollar, it closed at $1.538 compared with $1.539 in New York on Thursday night and $1.5355 at the previous London close. Its trade-weighted index was 0.5 down at 75.9.

Britain's oil trade surplus fell to £397m last month from £685m the previous month, as a result of a 20 per cent drop in the oil price and a 23 per cent decline in oil export volumes. The non-oil trade deficit grew to £1.54bn from £1.02bn the previous month. Non-oil imports climbed to £6.57bn in March from £6.15bn the previous month, while non-oil exports fell to £5.04bn from £5.13bn. If erratic items such as ships and aircraft are excluded the non-oil trade deficit deteriorated from £1.08bn to £1.5bn. The invisible trade surplus for last month is still

CURRENT ACCOUNT
(£m seasonally adjusted)

		Current balance	Visible Trade Balance	Exports fob	Imports fob	Invisibles balance
1984		+ 880	−4,391	70,367	74,758	+5,270
1985		+2,952	−2,068	78,072	80,140	+5,020
1985	Q1	− 374	−1,266	20,070	21,336	+ 892
	Q2	+1,333	− 124	20,237	20,361	+1,457
	Q3	+1,072	− 453	18,748	19,201	+1,525
	Q4	+ 921	− 225	19,018	19,242	+1,146
1986	Q1	+ 863a	−1,337	18,174	19,511	+2,200a

a Invisibles for the first quarter 1986 are projections and subject to revision as information becomes available.

MPs doubts on money policy

Continued on Back Page
details, Page 4

EEC agriculture ministers agree on price freeze

BY QUENTIN PEEL IN LUXEMBOURG

EEC FARM ministers yesterday agreed what amounts to a farm price freeze, with new curbs on milk and cereals production, after a marathon five-day session ending in all-night negotiations.

The deal was reached despite the opposition of Mr Ignaz Kiechle, the West eGrman farm minister, and resistance from Ireland, Luxembourg and Spain.

The ministers surprised themselves and officials of the 12-nation talks by reaching agreement, and by keeping the cost of concessions in the package to a modest Ecu 80m this year in a budget of more than Ecu 21bn (£13.4bn).

The EEC farm policy will nevertheless add Ecu 1.5bn to this year's Community spending, and soak up most of the cash in a supplementary budget, because of the soaring cost of existing programmes.

Some of the cost of disposing of the EEC's surplus stocks, put at more than Ecu 1bn this year, will be financed by other savings in the package, which will now go before EEC finance ministers on Monday.

The Ecu 1.5bn overrun means the farm budget will break the guidelines of budgetary discipline set by the finance ministers, and they may well demand further economies.

The main savings in the package will come from imposing a 3 per cent tax on cereal production. The proceeds of this will help finance the export subsidies needed to sell the surplus. The tax was "diametrically opposed" to German wishes, said Mr Kiechle.

The 12 also agreed ways of cutting payments for storing food surpluses, by reducing the level of interest rates paid to member states for carrying out the job, and cutting repayments from the EEC budget from 100 to 75 per cent of the cost.

Mr Kiechle negotiated key concessions in the cereals package, including more national flexibility in implementing the levy, and a 2 per cent price rise for top-quality bread-making wheat.

There was also a relaxation of tough new quality standards aimed at reducing the amount of grain sold to intervention stores.

West German reservations about the package stem from the fact that West German farmers must bear the full brunt of price cuts and a price freeze, along with Dutch farmers, while all the other member states have the effect cushioned by a devaluation of their "green" currency rates. This raises prices paid in national currencies to their farmers.

The "green" currency rates are the notional rates used to convert central EEC prices denominated in Ecus into national currencies. They had to be adjusted after recent currency fluctuations, including the re-alignment of the European Monetary System.

As a result, France, Britain and Ireland gained a 3 per cent green devaluation for animal produce, and one of 1.5 per cent for crops. Italy gained a 5 per cent devaluation for both.

Mr Francois Guillaume, the French farm minister who was expected to be a major disruptive influence at the talks, was able to go away declaring it "an exceptional package for France." Prices will rise for most French farm products, while pigmeat and poultry have gained an extra concession in the package.

The package also imposes a further 3 per cent cut in dairy farmer's production quotas. Ireland, Italy, Luxembourg, Spain and Greece all fought for exemption from the rule, but the only concession in the end was to phase it over three years instead of one.

Mr Michael Jopling, the Agriculture Minister, welcomed the agreement as "a major step forward." He said it would help deal with mounting surpluses, and ensure that the burden of changing the Common Agricultural Policy was fairly distributed.

Devaluation of the green pound would be worth £175m a year on farm incomes, and the overall balance of changes was particularly satisfactory for livestock farmers.

Mr Brynmor John, Labour agriculture spokesman, said in London the price package was an exercise in collective irresponsibility. "It will do nothing to reduce surpluses or to cut the ever-growing cost of the Common Agricultural Policy. The ship may stay afloat for a further year but it is heading steadily towards the rocks."

"The tragedy is that in the past year the European Commission has put forward some sensible proposals for farm reform. It is the farm ministers who are blocking the way."

Mr Simon Gowlay, president of the National Farmers Union, said last night: "This is a tough package. For livestock producers the final outcome is better than the Commission's original disastrous proposals, but the cereals decisions are very disappointing and there are no compensating decisions on other arable crops.

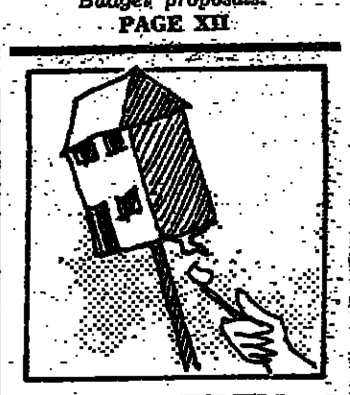
EEC marathon, Page 2

WEEKEND FT

TREASURE
Sunken cargoes of 18th century Ming porcelain, salvaged from the South China Sea, have knocked salerooms sideways.
PAGE I

DIVERSIONS
Either for pleasure or security or both, it is lighting-up time outdoors.
PAGE XI

FINANCE
A Weekend FT Report covers benefits and pitfalls for the small private investors in the Budget proposals.
PAGE XII



PROPERTY
John Brennan, the new Weekend FT Property correspondent, reviews house prices.
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For London market and latest share index 01-246 8026; overseas markets 01-246 8068

Swedish budget paints optimistic economic picture

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

SWEDEN'S short-term economic prospects have improved substantially thanks to falling oil prices, the lower dollar exchange rate and reduced international interest rates.

Mr Kjell-Olof Feldt, the Swedish Finance Minister, claimed yesterday that Sweden now has "a unique opportunity to eliminate remaining imbalances in the economy and to establish a sustained low rate of inflation."

The official forecasts presented in yesterday's revised budget present a much more optimistic picture of Swedish economic prospects than the budget published in early January.

Mr Feldt said yesterday that the economy was now expected to grow by some 2 per cent this year compared with the earlier forecast of a 1.6 per cent growth of gross domestic product (GDP). Exports are expected to strengthen and private consumption to continue its growth at the relatively high rate of 2.7 per cent.

The Government is concerned, however, about the lack of impetus for growth in the medium term. It has begun to plan reforms aimed at stimulating growth, including the gradual dismantling of foreign exchange controls, tax incentives for private forest owners to encourage greater timber delivering to the pulp and paper industry and a simplification of the income tax system.

Thanks largely to falling oil prices the current account of the balance of payment is now expected to show a surplus of SKr 3.4bn (£316bn) instead of the SKr 5.3bn deficit forecast in January.

Sweden ran up a current account deficit of SKr 9.4bn last year compared with a modest surplus of SKr 3.2bn in 1984, the first time the country had achieved a surplus since 1973.

Falling oil prices and lower international interest rates are also helping to reduce inflation to the lowest rate since the 1960s. The Government now expects the rate of inflation to fall close to 2 per cent (December to December) by the end of the year with an average increase for 1986 of 3.5 per cent.

The weaker US dollar and lower interest rates are contributing to a further fall in the budget deficit, which is now forecast to total SKr 45bn in the budget year 1986-87 instead of the SKr 50bn forecast

US, Soviet Union closer on chemical arms ban

BY WILLIAM DULLFORCE IN GENEVA

THE US and the Soviet Union have come closer to agreeing on how to verify compliance with an international ban on chemical weapons, Mr A de Souza e Silva of Brazil, the current president of the 40-nation conference on disarmament said yesterday.

This was the only field in which progress had been made during the 12-week session of the conference which ended yesterday, Mr de Souza e Silva said. And even optimists estimated that it would take at least two to three years to complete negotiation of a chemical weapons convention, he added.

The Soviet Union had gone half way to meet US demands for an effective verification system, when earlier this week it agreed to systematic on-site inspection of the destruction of its chemical weapons plants, Mr de Souza e Silva said.

He blamed the US and Britain for the conference's failure to achieve a nuclear test ban, the other major item on its agenda.

By continuing with its underground tests and by blocking negotiations the US was in "juridical violation" of the 1963 limited test-ban treaty in which it had committed itself to negotiate a comprehensive nuclear test ban, Mr de Souza e Silva said. The disarmament conference resumes in June.

US moves to bar Waldheim 'groundless'

By Patrick Blum in Vienna

ATTEMPTS to try to ban Dr Kurt Waldheim's entry into the US were groundless, it was claimed yesterday.

"We don't know what the grounds (for the move) are. Dr Waldheim is not a war criminal and they are wrong in what they believe," a campaign spokesman for the former United Nations Secretary General said yesterday. Dr Waldheim is a leading candidate in Austria's forthcoming presidential election.

The move was reported to have been initiated by the director of the US Justice Department's Office of Special Investigations, Mr Neal Sher, on the ground of evidence linking Dr Waldheim to atrocities committed in the Balkans.

Dr Waldheim has strongly denied any involvement in or knowledge of Nazi atrocities committed in the Balkans.

Dr Rudolf Kirchschlager,

Dr Rudolf Kirchschlager, the Austrian President, said earlier this week that documents presented to him by the UN War Crimes Commission and the World Jewish Congress did not provide sufficient proof of the allegations against Dr Waldheim. This was widely interpreted in Austria as clearing Dr Waldheim.

The spokesman said that the campaign office had heard that the World Jewish Congress would seek an entry ban on Dr Waldheim. "We are not surprised." Asked if the threat had been taken seriously, the spokesman said: "It is serious, but it is unfounded."

Dr Waldheim was campaigning in Salzburg province yesterday and was not expected back in Vienna until Sunday.

The campaign spokesman said that Dr Waldheim was still leading his socialist rival by between 4 and 8 per cent and that he would win the election on May 4.

Under a 1978 immigration law amendment, the US can bar anyone who assisted the Nazi Government in persecuting people because of race, religion, national origin or political opinions.

Car bomb kills five in Madrid

BY TOM BURNS IN MADRID

A CAR bomb explosion which bore the hallmarks of the Basque separatist organisation ETA yesterday killed five members of the paramilitary police corps, the Guardia Civil and severely injured a further two in central Madrid.

The bomb was apparently detonated by remote control against a passing Guardia Civil vehicle that was making a routine early morning run relieving overnight guards at the nearby Italian and US embassies.

The attack was similar to a car bomb blast which was claimed by ETA last September against a Guardia Civil bus conveying embassy security guards in Madrid. That explosion wounded 16 guardsmen and killed an American businessman who was on an early morning jog.

Yesterday's blast damaged a nearby maternity hospital as well as several vehicles and blew out windows over a 200 yard radius. Three civilians were treated in hospital but were yesterday out of danger.

Police believe the bombers were members of ETA's so-called "Comando España," a tightly-knit group of Basque activists living in Madrid. "Comando España" was responsible for the September car bomb and for the assassination in February of Admiral Cristobal Colon de Caravajal.

The explosion came on the day that King Juan Carlos and Queen Sophia returned from a four day state visit to Britain, the first by a reigning monarch there for 81 years. The King has now formally invited Queen Elizabeth to visit Spain. Throughout the visit exceptional security was in force.

Two weeks ago a white paper on terrorist violence was released, commissioned by the autonomous Basque government and prepared by a five-man committee of European experts on political violence. The paper recommended that negotiations with ETA should not be ruled out.

The immediate reaction of the ruling Socialist Party to yesterday's bomb was to reiterate that no negotiations were possible with ETA.

Reagan leaves for 13 day tour of Asia

BY STEWART FLEMING IN WASHINGTON

PRESIDENT Ronald Reagan left Washington yesterday on a 13-day Asian tour, the longest trip of his presidency, which will take him via Hawaii and Bali to the economic summit in Tokyo on May 4-6.

The duration of the trip has been designed in part to allow the 75-year-old president, who will be spending some 46 gruelling hours in the air, to get as much rest as possible to adjust to the different time zones before the summit meeting.

The summit will address a number of contentious issues, not the least of which is how the seven major industrial nations of the world can co-operate more effectively to deter terrorism.

Mr Reagan leaves behind him in Washington a legislative scene which is far from reassuring. Tax reform, the item which he has put at the top of his domestic political agenda, is bogged down in the Senate finance committee which has had to abandon its early efforts to revise the tax code.

On Thursday, after retreating into private session, the finance committee disclosed that its chairman, Senator Bob Packwood, had launched a complex set of proposals for tax reform aimed at reviving the flagging presidential initiative.

The details of Mr Packwood's proposals are being kept secret. But the outlines, which include the abolition of most individual tax deductions as part of a move to a two rate system, with the rates set at 15 per cent and 25 per cent, were not thought likely to lead to an early breakthrough.

On Capitol Hill, too, efforts to draw up a budget resolution are bogged down. The Republican-led Senate budget committee has signalled its opposition to many of the spending cuts for which President Reagan asked in his budget proposal in February. But the White House has shown no sign yet of being prepared to try to negotiate compromises over the mix of spending cuts, revenue increases and defence spending retrenchment which the budget committee itself has proposed.

Mr Reagan is expected to tell his summit partners in Tokyo that the US is making progress on reducing its budget deficit.

Before he arrives in Tokyo, however, he is scheduled to stop off in Hawaii and Bali, where he will be meeting with Southeast Asian foreign ministers, including Mr Salvador Laurel, Vice President, Prime Minister and Foreign Minister of the Philippines.

Minister sees 'ugly face of the Afrikaner'

BY JIM JONES IN JOHANNESBURG

THE RIGHT-WING opposition will not deflect the South African Government from its reform path, Mr Louis Nel, the deputy minister of information, defiantly told an impromptu press conference in the Transvaal country town of Brits late on Wednesday evening.

Nevertheless, the violent disruption of a planned party political meeting by white right-wingers, which led to Mr Nel's hurried statement, has almost certainly given the ruling National Party pause for thought.

It underlines the grassroots opposition to change in the Transvaal country districts, where conservative Afrikaners have until now been largely content to follow where the National Party hierarchy led.

That opposition was also expressed on Wednesday night by right-wing hecklers when President P. W. Botha told a party rally in the industrial town of Vereeniging that political rights had to be extended to everyone so that leaders could be identified for negotiation.

Mr Nel, whose department controls the accreditation of foreign journalists and who had been billed as the principal speaker at the Brits meeting, was prevented from delivering his address by about 1,000 members of the neo-Nazi Afrikaner Weerstandsbeweging (AWB), equipped with loud-hailers, giving Nazi salutes and brandishing their party's swastika-like emblems.

"This is the ugly face of the Afrikaner—white radicalism at its worst," Mr Nel declared after he had abandoned the meeting which passed a motion of no-confidence in his party.

According to an unconfirmed report by Capital Radio, an independent station, the AWB members subsequently attacked blacks in Brits' black township, assaulting residents with sjamboks and firing shots at at least one house.

Ironically, perhaps, shortly before Mr Nel had been prevented from speaking in Brits, the minister of home affairs, Mr Stoffel Botha, had been arguing in parliament in Cape Town for better "ordering" of journalists.

● Police have arrested Anglican Suffragan Bishop Sigisbert Ndwande in terms of South Africa's Internal Security Act. Bishop Ndwande was arrested on Wednesday night some hours after his home, near the western Transvaal gold mining town of Klerksdorp, had been petrol bombed.

Swazi coronation brings hope of stability

BY TONY ROBINSON IN MBABANE

AFTER a night of closely guarded ritual ceremonies behind a palisade of wooden stakes in the royal cattle byre near the modern Swaziland capital of Mbabane, Prince Makhosetive Dlamini yesterday emerged as Mswati the Third, King of the 650,000-strong Swazi nation.

Swazis and the South African Government whose territory almost encircles this tiny mountain kingdom, hope that the coronation will usher in a period of stability after a troubled four-year interregnum following the death of King Sobhuza II after a 61-year reign.

The coronation of the 19-year-old English public school-educated King brought several African Presidents and Kings to Mbabane and provided an occasion for informal contacts between President P. W. Botha, of South Africa, President Samora Machel of Mozambique, President Kenneth Kaunda of Zambia and King Moshoeshoe II of Lesotho, whose influence has grown since the coup four months ago which overthrew Chief Leabua Jonathan.

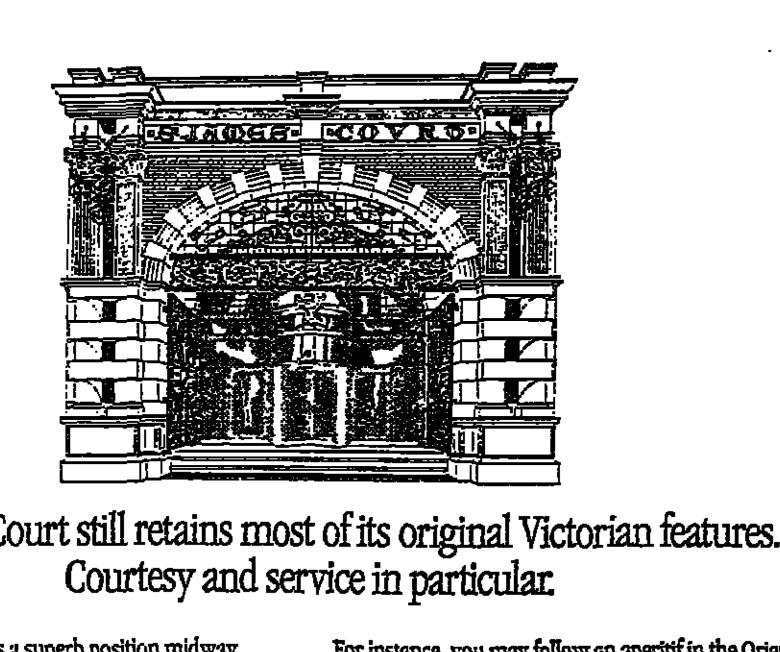
At a press conference yesterday President Kaunda criticised President Arap Moi of Kenya, who refused to attend at the last moment when he heard that President Botha would attend. "We did not come here because of President Botha but because we were invited by the Swazi Government. It is not for us to say who can come. Swaziland is surrounded by South Africa and they have to co-operate whether they like it or not," he said.

President Botha and his wife Elize were cheered by the Swazi crowd as they walked to the royal kraal yesterday afternoon. There, behind walls of thick wooden saplings, the new king made his vow to the nation and passed review of the Swazi regiments armed with spears, knobkerries and leather shields. His appearance was greeted with cheers and that by weeping women dancers whose tears are a traditional sign of respect and awe for the burdens of kingship.

The review over, the king, looking rather overawed, walked in the centre of a phalanx of chiefs to the visitors' dais where Prince and Princess Michael of Kent were guests of honour, flanked by African kings and presidents.

Prince Makhosetive was selected as heir from among the former king's 69 sons when he was only 15. His mother, Queen Ntombi, who bears the title of "great she-elephant," ousted Queen Dzeliwe, the original Queen Regent two years ago in a palace coup engineered by Prince Mfanasibili, leader of a powerful faction in the liqoqo, or supreme council, which runs the affairs of this former British protectorate.

The prince was subsequently expelled from the liqoqo and is presently in jail awaiting trial, together with the former police chief, on charges of trying to frame five rivals on a treason charge.



Farm price talks finally ended in agreement, reports Quentin Peel

EEC marathon runs its course

WAYS of curbing surplus production of milk and cereals, freezing or cutting most farm prices and limiting the budget cost of fluctuating currencies, dominated the marathon EEC farm price negotiations which ended in Luxembourg yesterday.

The key measures proposed by the European Commission to curb the cost of farm spending and slow down the growth of food stocks survived largely intact, in spite of strong national pleading by many of the 12 farm ministers.

They accepted a system involving a 3 per cent tax on cereal production — the so-called co-responsibility levy — as equivalent to a hidden price cut, and higher quality standards to curb the flow of surplus grain to intervention stores.

The ministers also agreed on a 3 per cent cut in milk production quotas for all 12 member states, but spread over three years instead of the one year originally proposed by the Commission.

No decision was taken, however, on the Commission's plans for curbing beef production. The ministers simply agreed to reach a decision before the end of the year.

The other setback for the Commission's intended production curbs was the ministers' adoption of a price freeze for butter. The Commission wanted a 4 per cent price cut but the freeze was conceded as a concession to West Germany. The proposed countervailing 3.5 per cent price rise for skimmed milk powder—aimed at persuading dairy farmers to produce the powder rather than butter—was also reduced to zero.

The effect of the price freeze will be considerably less drastic than the Commission intended because of the devaluations of all the "green" currencies

MAJOR FARM PRICE DECISIONS (IN ECU) FOR 1986/87*

Wheat—	
Target price	+0.5%
Intervention price—breadmaking quality	0.0%
Maize—	
Intervention price	0.0%
Feed quality grains	−5.0%
except Rye	−5.9%
Durum wheat—	
Intervention price	−4.0%
Aid	+12.3%
Olive oil—	
Intervention price	−5 %
Rice, sugar, rapeseed, sunflower seed, soya, dried fodder, hemp, cotton, wine	0 %
Peas, field beans and lupins	+1.0%
Dairy products, beef, sheep, pigmeat	0 %
Tobacco	0% to −6 %

*All countries except West Germany and the Netherlands benefit from devaluations of their "green" currencies, giving them more favourable prices paid in the national currency. Spain and Portugal are not yet fully incorporated in the price and aid system.

except the Deutschemark and Dutch florin.

The green rates, used to translate farm prices from Ecus to national currencies, were supposed to be changed following the re-alignment of the European Monetary System three weeks ago.

The final decision was for two levels of devaluation for animal products and for plant products including cereals, with France, the UK and Ireland getting 3 per cent and 1.5 per cent respectively—which meant an equivalent price rise in national currencies for these products.

Because West Germany was most nervous about the political impact of the price freeze, special concessions were made to soften the blow. The cereals levy will not have a 25-tonnes exemption but it will allow the West German and UK to spend money on direct aids to compensate small farmers. Those aids can take the form of providing direct relief from the levy payments.

The UK, which was opposed to the whole idea of a cereals tax and preferred a straightforward price cut, won concessions in other areas: maintenance of the variable beef premium to keep beef prices down, and subsidising farmers direct, and scrapping of an upper limit for payments of the ewe premium, which would have hit the UK's large sheep farmers.

The package is tough on Mediterranean farm products in surplus, like olive oil and tomatoes: prices on the former came down 5 per cent, while tomato prices will be down 7.5 per cent, the same figure as for peaches. Italy gets some compensation with a better aid package for producers of durum wheat — the cereal for making pasta.

Apart from Mr Kiechle's problems, the package caused the greatest difficulty for Mr Austin Deasy, the Irish farm minister. He finally gave up his struggle for a special exemption from the dairy quotas, but was rewarded with an assurance that beef intervention would continue for whole carcases in the autumn, a key move for the Irish beef industry.

Mr Michael Jopling, the British farm minister, enjoyed a relatively easy ride. He praised the deal as "a positive attack on surpluses."

Peter Bruce adds from Bonn: West German farmers yesterday vowed to strengthen demands for a DM 1bn national aid programme funded by Bonn.

The German Farmers' Association in Bonn said that the amount of money involved in offers of national aid made to farmers before the Luxembourg talks was "pitifully small." The measures comprise cuts in welfare payments made by small farmers and an increase from 4m hectares to 6m hectares (more than half of West German farmland) in "disadvantaged" land eligible for extra grants.

The spokesman said farmers feared that the finance minister, Dr Gerhard Stoltenberg, wanted to spend well under DM 500m on the relief programme, which the government, facing a general election next January, has proposed in an effort to soften the effect of declining farm incomes.

Nine die in renewed Beirut shelling

OVERNIGHT and early morning shelling across traditional demarcation lines yesterday claimed at least nine dead and 65 wounded in the heaviest shelling in the Lebanese capital for five weeks, Nora Boustany reports from Beirut. Sniping at inter-city crossings, restricted to pedestrians made passage hazardous.

The escalation followed a partial release of Moslem and Druze detainees as a goodwill gesture by the Lebanese Forces, the Christian militias on Thursday morning. The Lebanese Forces announced they no longer had any kidnap victims in their detention centres, claiming that those not freed have been turned over to the Lebanese authorities.

A committee of relatives of missing people complained that only 33 of some 93 held had been released, and demanded to know the fate of the others. It is feared they have been killed.

Vietnam leaders to go

Le Duan, who has led Vietnam for 17 years after Ho Chi Minh's death in 1969 and Le Duc Tho, who negotiated the Vietnam war cease-fire with Mr Henry Kissinger, the former US Secretary of State, will resign as top leaders in November, a senior Vietnamese Communist Party member said in an interview with a Japanese newspaper published yesterday, AP reports from Tokyo.

Phan Tuong, a Central Committee secretary in the party and Buildings Minister, told the Yomiuri Shimbun that Premier Pham Van Dong and Truong Chinh, chairman of the State Council or head of government, will also resign at the sixth party congress in November.

Warsaw march banned

The Polish authorities have turned down an open request for permission to hold an independent May Day demonstration next week by a group of activists from Solidarity and other banned trade unions, Christopher Bobinski reports from Warsaw.

This is the first time since martial law that the opposition sought to exercise its constitutional right of free assembly.

Japanese prices down

Japan's unadjusted consumer price index fell 0.3 per cent in March to 114.6 from February, after falling 0.4 per cent from January, the Government's Management and Co-ordination Agency said, Reuter reports from Tokyo.

Journalists killed

Two Filipino journalists and eight soldiers died in an ambush by Communist rebels Thursday, defence authorities said, AP reports from Manila. Mr Wilfredo "Willie" Vicoy, a photographer for Reuters, died in a hospital in Tuguegarao, Cagayan province, 210 miles north of Manila, after the ambush, said a colleague at Reuters' Manila bureau, who asked not to be identified. The other journalist slain was Mr Pete Mabaza, a stringer for the Manila newspaper Tempo.

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Italy's discount rate reduced as prices seem set to fall

BY JAMES BUXTON

ITALY'S official discount rate was yesterday reduced by one percentage point to 13 per cent, its lowest level since 1979. It was the second one-point drop in just over a month.

Meanwhile, Enel, the state electricity authority, announced that electricity prices for industrial users should fall by 20 per cent in real terms by the end of this year.

The fall in the discount rate, the rate at which the banking system borrows from the Bank of Italy, ought to herald a fall in banks' lending rates, although when the rate was reduced from 15 to 14 per cent last month the banks did not follow suit.

But as the fall transmits itself to the government bond market it will mean that the Government pays less for the funds it borrows from the public to finance its deficit, which amounts to more than 15 per cent of gross domestic product. This in turn will help contain the deficit itself.

There are encouraging signs from wholesaler prices, and this month's cost-of-living survey indicates that the consumer price index will fall steeply in the next few months. Last month it rose 7.2 per cent.

Last week Dr Carlo Ciampi, the governor of the Bank of Italy, said that the possibility of Italy achieving zero inflation in the medium term was no longer a "chimera." The Government expects the consumer price index to fall by 5 per cent by the end of this year.

Assuming that the drop in both the price of crude oil and in the dollar are sustained this year, Enel expects to reduce the cost of electricity by 20 per cent in real terms in 1986. The saving will be passed on in full to big users, including small industries, thus substantially boosting their international competitiveness.

For domestic consumers the fall in the cost of electricity will be partially offset by a reduction in the Government subsidy to domestic users, which is based on social security considerations. This reduction was contained in the budget for this year.

Italy is benefiting particularly strongly from the fall in the oil price and in the dollar because it depends for 70 per cent of its energy needs on imports.

Last month Italy had an overall balance of payments deficit of L1,942bn (£850m). This brings the accumulated deficit for the first three months of the year to L6,191bn. The March deficit was worse than that in February, at about L1,000bn, but showed an improvement compared with the figure for March 1985, when the deficit was L2,937bn. The Bank of Italy's total foreign reserves including gold reserves fell last month to L60,423bn compared with L62,104bn at the end of February.

W. German trade surplus up

By Jonathan Carr in Frankfurt

WEST GERMANY'S current account surplus more than tripled in the first quarter of this year to DM 16.2bn (£4.9bn) compared with DM 5bn in the same period of 1985, according to the Federal Statistical Office yesterday.

The key reason for the greatly improved current account figures was a further jump in the visible trade surplus—to DM 22.2bn in the first quarter compared with DM 13.6bn before.

In March alone the current account was DM 4.2bn in the black, after DM 2.7bn in the same month last year, and the trade surplus was up to DM 8.4bn after DM 6.4bn.

The sharply increasing surpluses may be used by some participants at the forthcoming western economic summit in Tokyo as further evidence that Bonn should do more to increase economic growth and raise imports.

The statistics show that in the first quarter neither West Germany's imports nor its exports were buoyant compared with a year ago. The former dropped by 10 per cent to DM 108bn and the latter by 2.7 per cent to DM 130.3bn.

Consumer price index falls

By Rupert Cornwell in Bonn

FOR THE first time in its history, West Germany is experiencing the luxury of absolutely falling prices—thanks to a combination of its own economic virtues and the vertical decline in the price of oil.

The first evidence of this statistical milestone has come from the state of North Rhine Westphalia, the most populous in the country. Preliminary returns show that the consumer price index there fell in April by 0.1 per cent, to a level 0.2 per cent below that of April 1985.

After reaching slightly over 2 per cent in 1985, inflation has since disappeared. The rate dropped to 0.7 per cent in February

Bomb failed to bestir terrorist

By Peter Bruce in Bonn

A PERPLEXING chapter in West Germany's long fight against terrorism was closed yesterday. Eight years after a bomb ripped a gaping hole in the prison walls at Celle, near Hanover, police have caught up with the culprits—West German counter-intelligence.

On July 25 1978, the German News Agency reported that the authorities were investigating the blast at Celle jail, where Mr Sigurd Debus, convicted of assisting terrorists, was being held. No one, said the report had escaped.

Two days later the agency reported investigators saying evidence led them to suspect that the bomb had been placed by terrorists. There was talk of "material," found in a stolen car found in Salzgitter, which supported this suspicion, and a search was mounted for Mr Debus's associates.

The story was revealed this week in the Lower Saxony parliament by the radical Green's Party. The state government has since confirmed it. Counter-intelligence, properly known as the office for the protection of the constitution (Verfassungsschutz), had recruited a convicted robber in the prison to befriend Mr Debus. The agent, or "V-man," appears to have been promised a remission for co-operating.

The bomb went off at 3 am close to Mr Debus's cell. According to a Hanover newspaper, the two men should have fled through the hole and the agent, now a confidant, should have then been able to work his way into the West German terrorist movement. But Mr Debus appeared not to know that the hole was meant for him. He made no attempt to escape. A few minutes after the blast, surprised guards, fearing the worst, found him lying, undressed, in his cell.

The newspaper claims the local police were never let into the secret. The Interior Ministry in Bonn said yesterday it did not think any charges would be brought against the bombers.

Moscow likely to abandon petrochemical plant plans

BY PATRICK COCKBURN IN MOSCOW

THE Soviet Union is likely to cancel or substantially scale down two big turnkey petrochemical projects worth more than £1bn, say diplomats in Moscow.

The contracts are for the construction of a polyolefins plant in the Caucasus, for which John Brown of Britain in association with West German companies is bidding, and a polyester complex in the Urals for which Davy McKee, using ICI technology, and Cementation, both of Britain, are tendering.

The Soviet Union is now reconsidering the two projects with a view to either building them on a much smaller scale than previously planned, continuing them as Soviet projects using foreign machinery which would cut costs by two-thirds or postponing them altogether.

The reason for the Soviet decision not to go ahead with the turnkey projects is the sharp fall in Soviet oil revenues this year as a result of the drop in the world oil price. Sale of crude oil accounts for 60 per cent of Moscow's hard currency earnings.

Mr Mikhail Gorbachev, the new Soviet leader, has in any case emphasised that wherever possible production from existing plant should be increased and the plant refurbished. He says this shows a much better return on investment than building new factories.

As Soviet hard currency revenues shrink, diplomats in Moscow believe that Soviet foreign planners will give priority to imports in three areas: the refurbishment of existing plant, oil and energy equipment and agro-industrial machinery.

Soviet officials have made clear that they do not intend to borrow heavily in order to make up for lost oil revenues and this inevitably means heavy cuts in this year's import programme.

Capital Radio seeks deal with Essex

By Raymond Snoddy

CAPITAL RADIO, the London general entertainment commercial radio station, is involved in talks over taking a controlling interest in Essex Radio, based in Southend-on-Sea.

The Independent Broadcasting Authority has indicated it would favour such a deal, but the separate identity and editorial control of Essex would have to be preserved.

The proposals being discussed would involve directors of Essex Radio, which is a profitable station, joining Capital's board. The exact form of what Capital describes as a merger has yet to be worked out.

The Essex Radio signal overlaps with that of Capital, the largest independent local radio station. Capital had pre-tax profits of £2.7m on a turnover of £16m in the year to September.

Mr Edward Blackwell, managing director of Essex Radio, confirmed that the company was talking to Capital but said no final agreement had been reached.

The difficult times facing independent local radio have resulted in an increasing number of co-operation agreements and takeovers of local radio stations.

ITV advertising revenue rises 25%

BY RAYMOND SNODDY

THE independent television companies are experiencing a surge in advertising revenues.

Revenue for the first quarter totalled £258.2m, an increase of 25 per cent over the same period last year.

The size of the increase is exaggerated because the ITV companies' revenue fell by 4 per cent in the early months of last year. However, the increase is politically embarrassing.

It comes as the Peacock committee is considering its report on the future financing of the BBC.

The ITV companies argued strongly that if advertising was introduced on BBC television it would seriously damage the ITV system.

"It is healthy growth. It means we have fully absorbed Channel 4 and we now have a viable two-channel system," said Mr David McCall, managing director of Anglia Television and chairman of the finance committee of the Independent Television Companies Association.

The rate of increase is likely to slow with advertising agency Ogilvy & Mather forecasting a total of £249m for the second quarter — an 11 per cent increase.

Mr McCall believes the increase for the year could be as high as 15 per cent — giving ITV revenue, net of advertising agency commission, of about £1.15bn.

Mr John Perriss, joint managing director of Saatchi & Saatchi Compton, the advertising agency, believes the rate of growth is likely to be lower at about 12 per cent.

He believes that after the "hiccup" of last year when ITV advertising revenue fell, television advertising has resumed its upward trend as a proportion of total advertising.

Dockyards bill faces resistance in Lords

BY KEVIN BROWN

PLANS TO privatise the management of the Royal Dockyards at Devonport and Rosyth face stiff opposition in the House of Lords.

The Dockyard Services Bill was yesterday given an unopposed second reading by peers, in line with the constitutional convention that the Lords does not reject legislation already passed by the Commons.

But peers were sceptical of the Government's proposal to lease the yards to private management companies on seven-year contracts, and the bill is likely to face a host of amendments during its committee stage.

Critics of the bill included Admiral Lord Hill-Norton (Ind), a former chief of the defence staff, Lord Ashbourne (C), a former naval officer, Baroness Vickers (C), a former MP for Devonport, and Lord Denning (Ind), the former Master of the Rolls, as well as Labour and Alliance spokesmen.

The Government was supported, however, by Admiral Lord Lewin (Ind) who was chief of the defence staff during the Falklands war, and by Lord Beloff (C).

Lord Trefgarne, junior defence minister, told peers the Government stood by its estimate that commercial management would save the taxpayer £210m over the first 10 years, despite claims by the cross-party Commons public accounts committee that the savings were uncertain.

Lord Hill-Norton said drastic changes in the organisation of the dockyards were necessary to improve efficiency, but there was a risk that frequent changes of management could lead to neglect of long-term planning and investment, and a desire to maximise short-term profits.

He said: "Success in an enterprise of this kind can only come from management, workforce and customer having a primary and shared concern in the long term future, and I don't think this will necessarily flow from the sort of commercial management deal which ministers have in mind.

"If it does not the Royal Navy will be at risk. I am bound to find that unacceptable, and so should the Government," he said.

Admiral Lord Hill-Norton: risk of long-term neglect.

Expo car is complete with wheel clamps

Financial Times Reporter

A JAGUAR saloon complete with wheel clamps as fitted by the London police to prevent parking offenders getting away will provide light relief from the serious business of promoting Britain at the Expo 86 exhibition in Vancouver from May 2 to October 13.

The British effort at Expo is part of a bigger drive to promote British exports to Canada launched yesterday by the British Overseas Trade Board. The time is thought to be propitious because Canada is in a growth phase and because Britain's steady loss of market share there was reversed at least temporarily last year. Exports increased by 43 per cent to almost £1.7bn for 1985.

However, the recent decline of the dollar in terms of sterling will make the drive harder. Much of last year's increase of British sales must have been helped by the high dollar rate.

The Overseas Trade Board has identified several areas in which it thinks a special effort would be worthwhile: giftware; speciality foods; clothing; scientific measuring, process control and instrumentation; and public procurement.

MPs express doubts over monetary policy

BY GEORGE GRAHAM

A PARLIAMENTARY committee has criticised the Chancellor of the Exchequer for failing to clarify how the Government is conducting monetary policy. In its report on this year's Budget the House of Commons Treasury and Civil Service Committee said it was extremely disappointed that the Government's explanations remained as ambivalent as before.

The committee believes the Government now concentrates more on the exchange rate, and more recently on the rate of growth of labour costs in setting its interest rate policy. It said it was uncertain about the role of monetary aggregates such as sterling M3, the measure of broad money which the Chancellor reinstated as a target in last month's Budget.

"We are doubtful about the significance of a 'strategy' in which an important element—£M3—is targeted for no more than one year," the report says. "Moreover we are not convinced that the potential change in the velocity of circulation will be significantly greater than previously."

The report says that setting interest rate policy by reference to the rate of increase in unit labour costs is a novel development which the Government needs to explain more fully.

"We ourselves have difficulty following the mechanism by which high interest rates will produce lower wage increases," the committee says, adding a warning from the Confederation of British Industry that high interest rates, and consequent high mortgage rates, could even put upward pressure on pay.

The committee said it was concerned at the build-up of liquidity, as high real interest rates have meant the private sector has invested increasingly in money-type deposits. It agreed that this "overhanging glacier" of liquidity need not have inflationary consequences so long as it is not unfrozen into transactions balances. However, it recommended the position should be monitored carefully.

It warned that much of the liquidity was likely to be in the hands of companies with substantial interest-earning cash balances, which would make it easier for them to pay higher wages. "The situation is exacerbated because many of the firms concerned are very large, and may well be wage-leaders in their respective industries."

The committee concluded that the overall tone of the Budget was appropriate, given the prospect of continued economic growth and lower inflation over the next year.

House of Commons Fourth Report from the Treasury and Civil Service Committee Session 1985-86: The 1986 Budget; HMSO; £10.

MR NIGEL LAWSON, Chancellor of the Exchequer, said last night it was clear that inflation would be down to 3½ per cent very much sooner than the end of the year.

Speaking in the Ryedale constituency in north Yorkshire, where a by-election is to be held on May 8, he recalled that in his Budget he forecast that it would fall to 3½ per cent by the end of this year. Predicting that it would come down even more quickly, he said: "This fall is good news for everyone, from pensioners to businesses."

New moves to allay fears of US tourists

By David Churchill, Consumer Affairs Correspondent

BRITAIN'S tourist chiefs are to step up their campaign to reassure Americans that Britain is a safe place for a holiday.

More than 20 representatives of hotels, airlines, tour operators, and shipping companies met at the British Tourist Authority yesterday to decide how to respond to US fears about visiting the UK after the Libyan raids and this week's bomb blast in central London.

They decided against any major new advertising initiative in the US as too costly and probably ineffective.

However, travel companies are to intensify their promotional efforts, especially their contracts with US travel agents.

Mr Duncan Bluck, chairman of the authority, is flying to the US next week for the opening of a BTA office in Atlanta. He is expected to discuss the fears of American tourists with US tourism leaders.

Mr Len Lickorish, director general of the authority, said after the meeting there was no real crisis as the 3.3m US visitors to Britain made up only a quarter of visitors to Britain last year. Cancellations were not at a disastrous level, he said.

British Airways, a major carrier of US tourists, said last night it had no evidence that fewer Americans were coming to Britain.

Privately, however, the tourist trade is very worried by the slump in American tourists. Some estimate up to 50 per cent fewer Americans will visit Britain this summer.

Compass Travel, part of the Thomas Cook group, said its business from the US had halved in comparison with last year.

One major travel agency which deals mainly with groups of Americans reported that bookings had fallen from £850,000 last year to £317,000 this year.

The Association of British Travel Agents said last night it was concerned about the impact on its members of fewer tourists and supported moves to convince Americans that Britain was safe.

Some travel companies, however, are criticising the anti-terrorist exercises at Heathrow airport involving tanks and armed soldiers which are being shown on US television.

The decline in US visitors is likely to lead to a price war between major airlines this summer which some travel operators hope will encourage Americans to come to Britain for events such as the Royal Wedding in July.

At the same time, British holiday resorts are hoping for a bumper trade this summer because of fears by Britons about holidaying in the Mediterranean.

Jail staff defy Hurd with more industrial action

BY PHILIP BASSETT, LABOUR EDITOR

PRISON OFFICERS' leaders yesterday instituted more and wider industrial action after what they claimed were clear indications of implementation of new staff arrangements throughout the prison service.

The action came as Mr Douglas Hurd, Home Secretary, speaking at Norwich, warned: "Industrial action by the prison officers will get them nowhere."

The Home Office said yesterday that action earlier this week had only a limited effect, though the Prison Officers' Association disputed the number of prisoners affected.

The new action, which began yesterday afternoon and is due to end at noon today, is limited in scope.

However, it covers more prisons, 15 in all, in London, the Midland and the North, including such large establishments as Brixton, Wormwood Scrubs, Birmingham and Manchester prisons. No new inmates were accepted at any of these yesterday and POA leaders suggested that this would have a much greater impact than their first action this week because of the greater numbers of prisoners usually admitted on Friday evenings. The present action covers up to 4,000 of the union's 18,000 members.

Mr David Evans, the association's general secretary, said: "The limited action is designed to show the Home Secretary that we are endeavouring to avoid large-scale disruption to the prison service, in the genuine hope that he can prevail on his own prison department officials to stop their actions."

Union leaders are expecting a letter from Mr Hurd on Monday. He said yesterday it might help resolve the problem over staff, but Mr Evans warned that, if the prison department were to persist with changes in staff practices, the union would have no alternative but further action.

The POA said last night it had clear proof that the prison department yesterday signalled to local managements that they should implement cuts in budgets to reduce officers' tasks and working régimes.

Mr Evans said that throughout the 130 institutions, this amounted to a cut of about a third.

Governors may take differing action to suit circumstances but Mr Evans said they were likely to follow some or all of the examples of changes at Rochester Prison, which include an end to all domestic visits to prisoners on Sundays, a reduction of staff for escort duty, cuts in supervision of prisoners' work periods and reduction in staff in certain prison areas.

Bill on TV obscenity collapses

By Kevin Brown

A CONTROVERSIAL attempt by backbench Conservatives to extend the Obscene Publications Act to broadcasting collapsed yesterday after a Commons filibuster by opposition MPs.

The Obscene Publications (Protection of Children) (Amendment) Bill ran out of time after Mr Winston Churchill, Conservative MP for Davyhulme, failed to gain enough support to force a vote.

The bill would have made broadcasters liable to prosecution for publishing material tending to "deprave or corrupt." Its supporters claimed guidelines laid down by the BBC and the Independent Broadcasting Authority had proved ineffective.

Mr Churchill told the Commons there was broad support for something to be done to pull up the broadcasters and remind them of their responsibilities to the public and Parliament.

He said later the bill had been killed by a coalition of powerful vested interests.

Mrs Mary Whitehouse, president of the National Viewers and Listeners' Association, who was in the public gallery to hear the debate, said lack of support from the churches was partly to blame for the fate of the bill.

Mrs Whitehouse claimed, however, there could be government legislation along the lines of the Churchill bill.

The Government was neutral on the bill, although Mrs Thatcher voted for it on a free vote at second reading. Mr David Mellor, the Home Office Minister of State, urged broadcasters to take the comments made by MPs "very seriously."

The collapse of the Bill was welcomed by Mr John Whitney, director-general of the IBA. Mr Whitney said the IBA would give serious consideration, however, to suggestions by some MPs that programmes should be classified in broadcasting schedules, though he pointed out that this would be counter-productive if it attracted children to adult programmes.

Stevas and du Cann to retire at election

BY JOHN HUNT

THREE SENIOR Conservative backbenchers, including two of the most colourful figures in the Commons, Mr Norman St John-Stevas and Sir Edward du Cann, announced last night that they will be giving up their seats at the next general election.

Mr St John-Stevas, MP for Chelmsford, and Sir Edward, for Taunton, are former ministers and have frequently criticised Government policy from the back benches.

Sir John Osborn, MP for the Hallam constituency of Sheffield, will also retire at the next election.

At least 27 Tory MPs have announced that they will not be seeking re-election. More than 40 Labour members have also said they will not stand again.

Mr du Cann, aged 61, chairman of Lonrho, has been member for Taunton for 30 years. He told his local Conservative association last night: "The time has come when it would be sensible to consider retirement."

Sir Edward became Economic Secretary to the Treasury under Macmillan in 1962 and was Minister of State at the Board of Trade under Sir Alec Douglas-Home from 1963 to 1964.

His ministerial career was short-lived but he became chairman of the Conservative Party under Sir Alec (later Lord Home). When Mr Edward Heath came to power in 1970, it was widely expected that Sir Edward would get a ministerial post but he once more became party chairman.

For many years he was the most powerful Tory MP as chairman of the public accounts committee and of the 1922 Committee of Conservative backbenchers. He unexpectedly lost the chairmanship of the 1922 Committee in 1984.

He was consistently critical of waste in department spending and was at times a critic of the Government's economic policy, calling for greater expansion.

He was one of the most adroit members of the House and has been described as "a politician's politician."

Bowing out: Sir Edward du Cann (left) and Mr Norman St John Stevas.

Mr St John-Stevas, aged 57, is a more flamboyant character. He said last night that his chairmanship of the Royal Fine Art Commission was taking up an increasing amount of his time and he wished to spend the remainder of his life in arts and scholarship.

The member for Chelmsford for 22 years has been under-secretary and Minister of State for Education and was twice Minister for the Arts.

He was appointed Leader of the Commons by Mrs Thatcher in 1979 and delighted journalists with his indiscretions and his constant references to her as "the blessed Margaret."

In 1981, Mrs Thatcher asked him to leave the Cabinet but he resigned, rather than accept her offer to continue as Arts Minister outside the Cabinet.

He is a leading Roman Catholic. His most notable scholastic achievement has been editing the works of Walter Bagehot.

Sir John Osborn, aged 63, has been joint secretary of the 1922 Committee since 1968 and a member of the executive of the National Union of the Conservative Party. He was vice-chairman of the Conservative energy committee and was chairman of the Tory back-bench transport committee.

BT reorganises to face increased competition

BY RAYMOND SNODDY

BRITISH Telecom announced a corporate reorganisation yesterday to meet an expected increase in competition.

Sir George Jefferson, BT chairman, said that BT's network operations and services in Britain were being regrouped to give greater cohesion and "be more precisely focused on customers," and that non-network activities were being regrouped in self-contained units.

BT will change the structure of the Local Communications and National Network Divisions, and with it the responsibilities of Mr Mike Bett and Mr Ron Back, the two managing directors.

Mr Bett becomes managing director Inland Communications. He will have responsibility for operating trunk and local networks.

Mr Back will be managing director of Business Services, which includes management of the full range of UK network business services and a business unit for theneeds of larger business customers.

BT is creating, under Mr Peter Troughton, an International Products Business bringing together design, manufacture and distribution of equipment. It will include BT's shareholdings in Mitel, CTG and Centel.

Swan Hunter warns PM over shipyard's future

BY ANDREW FISHER

SWAN HUNTER'S directors yesterday told the Prime Minister of their concern for the future of the warship yard after it was beaten this week in the contest for a £130m naval ship order by Harland and Wolff of Belfast.

The Tyneside yard, privatised this year, warned before the order was announced that if it was defeated by its state-owned rival, up to 2,000 jobs could be lost by the end of next year.

The four joint managing directors of Swan Hunter, which employs 4,500 people, met Mrs Thatcher before she named the Stena Seawell, a high-technology offshore vessel, at nearby Sunderland Shipbuilders.

Swan Hunter said the talks with the Prime Minister were "open and constructive," covering the yard's position and ways to improve its prospects. It gave no details.

Union representatives said they were worried by the yard's failure to win the order for an auxiliary oiler replenishment ship (AOR). "The future looks grim. Everyone here is totally devastated," said Mr Alan Wilkinson, chairman of the yard's shop stewards.

The Government said on Thursday the Tyneside yard would have a preferential opportunity to bid for the second AOR. However, it would have to use the Harland design.

Road link for shopping centre

MR Peter Bottomley, Transport Minister, yesterday opened a £2.5m road intersection to serve Europe's biggest shopping and leisure centre project.

The Metro Centre, on the outskirts of Gateshead, Tyne and Wear, is the first of a series of large-scale out-of-town shopping complexes planned for Britain by Cameron Hall Developments, a Tyneside company.

The £150m centre built on 115 acres of derelict land is expected to create 6,000 jobs in more than 200 shops and retail outlets. It has been designed for a family day out and has air-conditioned glass-walled malls lined with bamboo and fig trees.

A Carrefour store employing 600 opens in the centre on Tuesday. The second phase will start in October with the launch of a Marks and Spencer store employing 800.

P&O seamen vote for crew changes on liners

A BALLOT of nearly 600 seamen has supported plans by P & O to introduce radical changes to the crewing of its cruise liners.

The vote was 390-149 in favour of the plans in a ballot organised by the company without the approval of the National Union of Seamen.

P & O dropped similar proposals last year after the NUS called strikes on some of its liners.

The plans will affect staff such as stewards, barmen and waiters on four liners operating from the west coast of North America and one liner operating in the Mediterranean and the Caribbean.

The plans involve making staff redundant with payments of between £8,500 and £30,000, then rehiring staff on much reduced pay with the expectation that they would make up their pay though tips; longer terms of duty and no paid leave; and withdrawing bargaining recognition from the NUS.

Under the proposals a steward's monthly pay would be cut from $1,077 (£718) to $450 with a further $400 guaranteed when tips are not available.

Mr Christopher Stewart-Smith, P & O Cruises chairman, said: "It was a democratically reached verdict and a vote of confidence in our reorganisation proposals."

Mr Sam McCluskie, NUS assistant general secretary, said the seamen had voted to accept the package because of "juicy redundancy carrots." The union predicted that many of the seamen would leave and their jobs would be taken by non-British seafarers.

Talks between Townsend Thoresen and the NUS about a dispute which has disrupted Townsend's Felixstowe services broke down last night. The NUS said that the dispute could spread to Townsend's Cairn Ryan in Scotland and Portsmouth services.

NUT avoids strike call

BY DAVID THOMAS, LABOUR STAFF

THE NATIONAL Union of Teachers refrained yesterday from calling immediate strike action, having failed on Thursday to win a court order to halt talks from which it had been excluded, on a new contract and pay structure.

The union executive decided instead to call a meeting of the Burnham negotiating committee to discuss the 1986 pay negotiations.

However, the other unions of teachers, which can outvote the NUT in Burnham, are likely to vote down such a proposal from the NUT. It would then be faced again with the question of whether to strike selectively.

The other unions are committed to the talks on a new contract and salary structure, which are continuing in a panel presided over by Sir John Wood, chairman of the Central Arbitration Committee.

The NUT was excluded from these talks because it is still undertaking limited disruption.

The union will also press the Burnham committee to seek a payment of £800 on account for 1986, on the expectation that the talks on the new contract and pay structure will be lengthy.

However, this too is likely to be outvoted by the other unions because they think that an immediate demand for a payment on account could jeopardise the talks.

● Talks aimed at ending the work to rule by Customs officers at Heathrow's No 4 terminal broke down at the conciliation service, Acas, yesterday. The Society of Civil and Public Servants said the action at Heathrow and a supportive work to rule at some sea ports would continue.

Europcar places £51m order

By John Griffiths

ELEVEN MANUFACTURERS are to share a £51.3m order from Europcar for 10,000 cars and vans.

Eurocar is the UK subsidiary of the Europcar International car rental group owned by Renault.

It has about 270 rental outlets and is one of the UK's largest buyers of cars.

Of 67 models covered by the orders the biggest single part is with Ford, from which Europcar is buying £23m-worth of vehicles, including Sierras, Orions, Fiestas and Transit vans.

About £13.5m is being spent with BL on models including Austin Rover's Metro, the Range Rover and the Austin Rover-Honda Rover 800 executive car to be launched this year.

Vauxhall/Opel. General Motors' UK car subsidiary, has no part of the order.

Vauxhall/Opel, General Motors' Europcar is diversifying its activities this year, setting up fleets in the sports, large-capacity, executive and luxury sectors.

● **Kenneth Gooding writes:** Ford launches a lower-priced version of its top-of-the-range Granada saloon today which should particularly appeal to the business user.

The 1.8-litre Granada L list price, with car tax and VAT, is £8,899, against £9,127 for the 1.8-litre Granada GL, previously cheapest in the range. The 2-litre Granada L costs £9,291. The version with the 2.5-litre diesel costs £10,271, and the diesel taxi £9,288.

Harder road ahead for Day at BL

Kenneth Gooding on the task of a motor group's incoming chief

WHEN Mr Graham Day moves on Thursday from British Shipbuilders to be full-time chairman and chief executive of BL, it will not be to do the job for which he was hired.

He and the Prime Minister, whose personal choice he was, believed that BL would have sold its commercial vehicle operations by now.

But—after the collapse last month of the talks whereby General Motors of the US was to have bought Land Rover-Leyland, and the Government's decision this week not to sell Land Rover separately to four bidders—Mr Day finds himself not only having to deal with the enormous problems of Austin Rover, the volume cars business, but also of the Land Rover and Leyland companies.

Leyland Trucks provides his main challenge.

The company was hoping to break even again in 1987 but Mr Les Wharton, Leyland Trucks chairman, admitted this week that this was unlikely.

This admission is in spite of a considerable improvement in Leyland's performance in the UK heavy truck market — where its share was up from 14.6 to 17.8 per cent by the end of March — and an imaginative recent deal with Daf Trucks of the Netherlands, which should improve depressed export performance considerably.

Daf will sell some of Leyland's light Roadrunner trucks in continental Europe, where the Dutch group has many more dealers.

There will have to be more joint ventures if Leyland Trucks is to be viable, and it is by no means the only company to have decided this.

Europe's heavy truck industry is going through an upheaval caused by considerable overcapacity. Ford's recent decision to quit the business may be the most dramatic symptom. Ford has linked with Iveco, the heavy vehicle group owned by Fiat, and will sell its UK truck operations to a joint company, in which the US group will have only a minority interest.

The Leyland Trucks management came out firmly in favour of a merger with GM's Bedford subsidiary in Britain and still believes this offers its company the best chance of survival, as Mr Wharton made clear this week.

GM and the British Government say they would be willing to talk again, but neither seems to want to make the first move. Perhaps Mr Day can help the process.

A deal with GM seems politically possible, if Land Rover is not included, and the US group might decide that a merger of Bedford with Leyland Trucks, even without Land Rover, still offers the best solution to the severe problems in its Western European heavy truck business.

Even then, Mr Day will have to think long and hard about the Freight Rover van operations. These are part of the Land Rover group of companies but also closely linked with Austin Rover, from which Freight Rover takes components and whose dealers sell many of the sister company's vehicles.

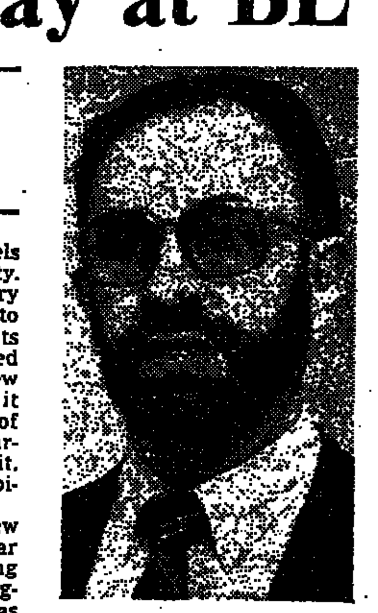
Freight Rover is a money-spinner, with the highest return on sales of any business within BL. Output is at record levels and the company lacks capacity.

All that could change very quickly. GM, which wanted to merge Freight Rover with its own van operations, suggested that Freight Rover needs new models within three years if it is not to lose a great deal of ground to the competition, particularly Ford's new Transit. This would require heavy capital expenditure.

Freight Rover does have new models in development—a year ago it asked various leading designers to but forward suggestions about style—and has plans to increase production space. Its site at Common Lane, Birmingham, backs on to Drews Lane, where Austin Rover makes components, and this could provide the extra space Freight Rover needs.

Land Rover, the four-wheel-drive company, is emerging from a two-year rationalisation in which several satellite factories were closed and all production was consolidated on a site at Solihull. This will save £13m a year in overhead costs and improve the financial performance of the company, which was only marginally profitable last year after a £4.7m net loss in 1984.

But the full benefits will take time to show, as will those from the company's planned venture to take the luxury, all-wheel-drive Range Rover models to the US. Land Rover hopes to sell 3,000 to 4,000 Range Rovers a year there, at about $30,000 (£19,540) each, but the first models will not go on sale until late next year at the earliest.



Graham Day: The job he was hired to do has changed.

If everything goes well, Land Rover might be in good enough shape to be given a Jaguar-style flotation on the stock market, or be sold to another organisation, perhaps in three years.

In the more immediate future, Mr Day will have to deal with the sale of Leyland Bus—three potential buyers have revealed an interest and talks have been taking place, parallel to those about Land Rover—and with the disposal of the Unipart spare parts operations to a group of City institutions.

One point is clear: when the Government told BL this week it could keep Land Rover, that was the end of a chapter in the saga, not the end of the story. Mr Day will have a big influence on the outcome.

Economic Diary

TODAY: M Jacques Chirac, French Prime Minister, to meet Mrs Margaret Thatcher in London.

TOMORROW: Mr Helmut Kohl, West German Chancellor, begins four-day visit to India.

MONDAY: EEC Finance Ministers meet in Luxembourg to discuss the effects of the latest readjustment to the European Monetary System. International farmers conference in Bonn (until May 3). Emergency Arab summit in Fez on Libyan crisis. Philips & Drew's new stockjobbing subsidiary, Philips & Drew Trading, starts dealing. ICI annual meeting.

TUESDAY: CBI Industrial Trends Survey (April). Bricks and cement production and deliveries (first quarter provisional). Acas publish annual report. President Reagan starts four-day visit to Bali.

WEDNESDAY: New vehicle registrations (March). Asian Development Bank annual meeting (until May 2).

THURSDAY: Energy trends (February). Asean countries' 10th anniversary meeting in Bali (attended by President Reagan).

FRIDAY: UK official reserves (April). Capital issues and redemptions (during April). Car and commercial vehicle production (March—final). Housing starts and completions (March). Mrs Margaret Thatcher starts visit to South Korea.

Building workers' ballot

THE union for building workers expects a close result in its ballot for industrial action over a 6 per cent pay offer. The count so far is narrowly for rejection.

Ucatt, the union representing 40,000 council employees, has put off announcing its ballot result until Wednesday because of a delay in the returns from the Manchester region.

However, with most of the votes counted so far there was a "very, very slight majority" against industrial action, the union said yesterday. The Manchester vote could prove crucial.

If the Ucatt members reject the call for action it wil strengthen the hands of local authorities trying to negotiate a 6 per cent settlement for 1m manual workers. The unions are seeking a 6.7 per cent rise.

Unions adopt new tactics in water privatisation fight

BY PHILIP BASSETT, LABOUR EDITOR

TRADE UNIONS in the water industry yesterday launched a new-style campaign against the Government's privatisation plans.

At a one-day conference, rather than opt for industrial action, the unions struck a new note by not stressing the specifically trade union point of view and by linking up with a wide range of different interest groups.

These included some naturally sympathetic bodies such as Labour local authorities, but mostly non-political organisations, such as the Countryside Commission, the National Farmers' Union, the British Pensioners' Association, Greenpeace, the River Thames Society and the Royal Society for the Protection of Birds.

Mr John Edmonds, general secretary of the municipal union GMBU, said: "In many ways we are not talking about a trade union campaign, a trade union interest on traditional lines. We have a much wider community interest."

Although the unions have about 50,000 members in the industry, their leaders accept that the effects of privatisation on employment are long-term, cloudy—and could even be partly beneficial.

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Disinflation deflates

ONE of the basic beliefs that has driven the world-wide bull market of recent months has been the belief that 1986 would prove a wonder year. Falling prices of oil and commodities would boost real incomes, and so accelerate an already promising recovery. However, to say that the recovery has got off to a weak start is beginning to look like a modest understatement.

In the US, still by far the biggest source of demand in the developed world, retail sales have been falling gently. The motor industry has done much worse; output has dropped 11 per cent as manufacturers struggle to reduce stocks swollen by over-optimistic production schedules in earlier months.

In Britain, the picture is rather worse. Industrial output has hardly grown at all in the last nine months, and unemployment is rising sharply again. Consumer demand is harder to read. The recent official figures showed a sharp recovery in March, but the CBI-FT survey of the distributive trades, which has established an excellent trend-reading record, shows weaker expectations and an ominous unplanned rise in unsold stocks.

The trade figures are also telling—not the sudden yawning deficit for a single month, which may yet turn out to be a statistical quirk — but the underlying trends. Both exports and imports are lower than in the same quarter last year, and there has been an especially sharp fall in imports of capital equipment.

Interest rates

Since exports and investment are cast for strong roles in the Government's own growth forecasts, these are discouraging trends. The figures for Britain and the US, and also for Japan, will have to improve very sharply to attain even the bottom end of the consensus growth forecasts (about 1½ per cent and 3 per cent respectively for the year).

One old-fashioned school of economists is wholly unsurprised by these developments. They have always argued that the regime of tighter fiscal policy and high real interest rates which has conquered inflation in most countries was bound to deflate activity as well as prices.

They would argue that the computer freaks who run economic models have been led astray by their efforts to correct for past mistakes, giving a quite implausible weight to the stimulus which could be expected from falling nominal interest rates and rising securities markets, which used hardly to figure in the forecasts.

However, there are some alternative explanations which leave more room for hope of a stronger performance—even a much stronger one—in the second half of the year. These look to a family of J-curves, the charts which show that the initial reaction to a shock is often in the opposite direction to the long-term effect. For example, a devaluation makes the balance of payments weaker at first, because imports go on arriving at higher prices, but export orders must be won and then delivered, a long process, before the benefits show.

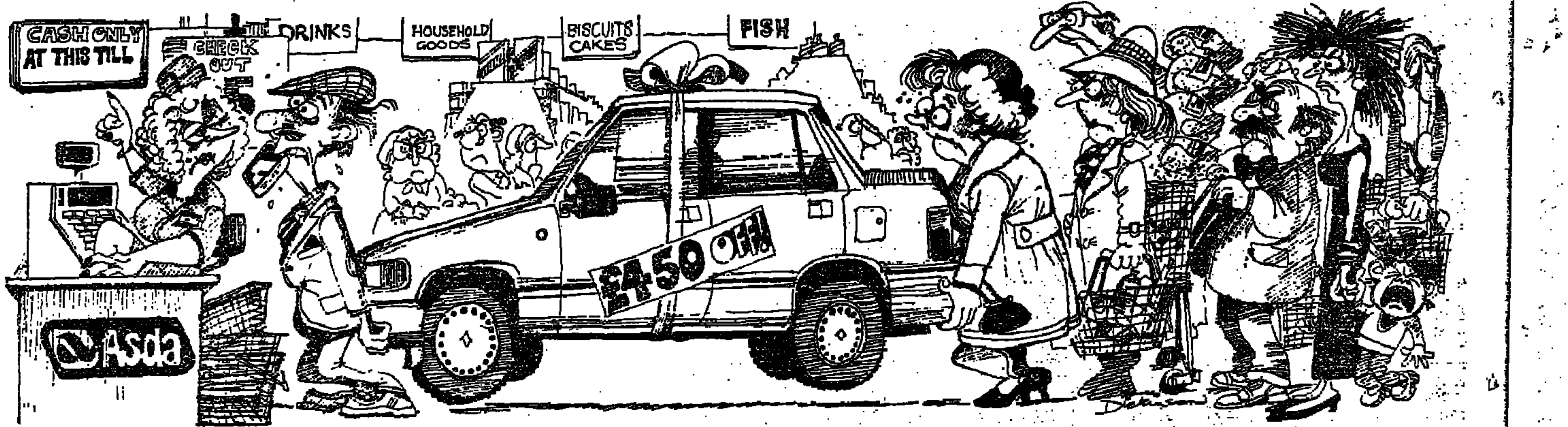
Rival analyses

In the same way the oil shock is initially deflationary. Oil companies and people who live in oil-producing regions cut their expenditure very quickly. Those who benefit from cheaper oil take time to adjust their spending habits. US figures already show that the first response by US consumers has been to increase their rate of saving much more sharply than their rate of spending. On this kind of analysis the weak start of 1986 could still prove quite compatible with a strong finish.

A great deal more than stock market profits rides on the outcome, for the rival analyses reflect deep differences not only between economists but, as is beginning to become apparent, between governments, and even between government departments. In the house corner stands the house-in-order brigade, who regard the whole post-war experiment in economic management as a dangerously inflationary mistake, and trust the deregulated, tax-relieved private sector to sustain growth. In the red corner are those who look back to a much more recent golden age — the Bretton Woods system of managed growth and exchange rates.

In the US the President trusts the market, but Mr James Baker, his Treasury Secretary, is a manager, organising exchange market intervention and putting pressure on the Germans and the Japanese to stimulate their economies, and on everyone to help the third world. Britain has a market-trusting government, but there are many would-be-managers on the Tory back benches and the Chancellor talks quite managerially when he goes to international meetings. In Germany the Economics Ministry wants expansion, but the Finance Ministry is purist; in Japan an expansionist Prime Minister is frustrated by the financial arms of his government.

Investors have until very recently backed the market-trusters to the hilt; but now, in Tokyo, New York and especially in London doubts are beginning to show. Can the purists really be right in claiming that disinflation is not only virtuous but stimulating, or is this too good to be true? *If it does happen*, 1986 will indeed be a pivotal year for inflation-free growth. If not, it may be a pivotal year for policy-making.



UK car retailing

Asda checks out a new deal

Britain's third-largest retailer is to start selling cars in June, reports John Griffiths

"Hatchbacks, madame? — down past the toiletries, and left by the baked beans . . ."

MORE THAN one cartoonist has used this theme to suggest that the supermarket chains' diversification beyond food retailing into household, electrical, furniture and other goods would one day take in cars.

The joke is about to become reality, with potentially profound long-term implications for the "traditional" UK motor trade. It will result from the imminent announcement that Asda-MFI, the UK's third-largest retailing group, is to start selling cars from a variety of manufacturers and importers. Asda currently has 104 superstores in the UK.

European over-capacity in car production stands at about 2.3m units a year and manufacturers need to use their capicty intensively if the high fixed costs of robotised plants are to be covered. So there are obvious attractions to them in a "pile it high and sell it cheap" approach to cars, much as they profess their support for the existing sales and distribution infrastructure. When, as is inevitable at some stage, the new car market turns down from last year's record 1.82m units, pressures on them will increase.

Competition is already severe and heavy discounting rife—fertile ground for retailing groups whose expertise is specifically geared to high turnover on low margins.

Hitherto, traditional motor traders have not been too worried by the threat of superstore competition. The vast majority of UK new car sales are made by individual dealers or groups whose principals are steeped in the lore of a complex trade. They have found it easy to convince themselves that supermarket groups would not want—and would not have the skills—to enter the minefields of service, repairs and trade-ins.

They have also tended to persuade themselves that margins are already too thin to attract serious new competition. Widespread discounts of 10-15 per cent, or even more, in the volume cars sector have sharply eroded their former 16-18 per cent margins.

The "Asdadrive" project, to be unveiled next week, will provide them with a rude shock. For it embraces not only new car sales, but full financial services, repairs and maintenance and "no-haggling" used car trade-in facilities.

Even in the field of service and repairs the traditional garage trade has its back to the wall.

Routine service intervals have increased from 3,000 miles in the early 1970s to 12,000 miles. BMWs no longer even have fixed intervals—relying on electronic monitoring of when a service is needed. Components are much more reliable and durable.

Specialists like Kwik-Fit have creamed off much fast-moving service and repair business. Tyres, exhausts, batteries and shock absorbers have been virtually taken over by the fast-fit operators, who are now moving into brakes, steering and other sophisticated areas.

Nor is the impact of Asda's announcement likely to be diminished by the fact that its initial foray will be on a modest scale of six outlets and that, as Asdadrive's chairman Mr Paul Dowling points out, Asda can claim legitimately that the terms of its relationships with car suppliers will be no different from those of traditional franchised dealer groups.

It is taking only "open points" in each manufacturer's existing dealer network—areas where for a variety of reasons a manufacturer may feel it is under-represented.

But there is no doubt that Asda has the experience and the motivation to do things differently.

Its "showrooms" in highly visible parts of its superstores, will have plenty of "captive" traffic—about three quarters of a million people a month pass through the Asda outlets initially involved. Traditional dealers spend fortunes just to lure buyers into showrooms.

Then there is the issue of fixed prices. Many car buyers leave traditional outlets, even after signing an agreement, still sceptical about whether they have made a sound deal, claims Mr Dowling. "The motor trade as a whole doesn't have a terribly good reputation with the consumer," he says. Asda plans non-negotiable prices, but these will reflect the discounts available.

On service, each retail unit will have a technical centre nearby, with emphasis on training and high standards. Asda claims to be finding no difficulty in recruiting competent reception, mechanical staff and supervisors, and is putting them through its own extensive training programmes aimed at instilling commitment and, in particular, an awareness of the need for good customer relations.

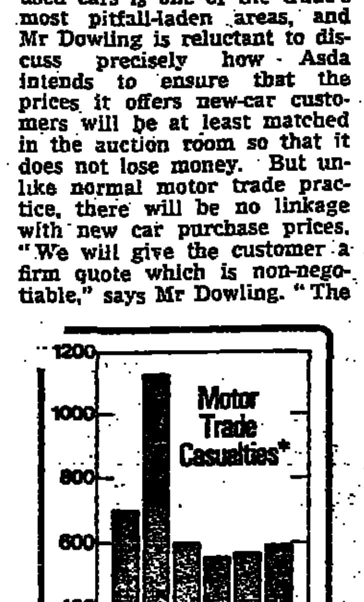
Technical centre decor and uniformed staff are intended to present an image as far removed as possible from that of a non-committal service manager behind a grubby counter.

The centres will undertake all normal warranty, service and repair work; be open on several evenings a week and offer courtesy transport or loan cars.

The "we couldn't find anything wrong, try it for a bit, come back when we've got the part" or "we think we've fixed it" approach "can have no part of Asdadrive," according to a strategy document.

This document has much more in the same vein, including the observation that attempting to charge 10 minutes for, say, bulb-changing, "is seen as a rip-off. Asdadrive will profit from goodwill, not the peanut cash."

Asda has no intention of selling used cars itself, and has linked with car auctioneers to dispose of trade-ins. Valuing used cars is one of the trade's most pitfall-laden areas, and Mr Dowling is reluctant to discuss precisely how Asda intends to ensure that the prices it offers new-car customers will be at least matched in the auction room so that it does not lose money. But unlike normal motor trade practice, there will be no linkage with new car purchase prices. "We will give the customer a firm quote which is non-negotiable," says Mr Dowling. "The basic philosophy is to separate trade-ins from new car sales. We want to break down the confrontation aspect normally involved with car deals."



* Members of the Motor Agents Association who ceased trading. The figures include both dealers and vehicle repairers.

This all-embracing approach lies behind the choice of the name "Asdadrive." And while Mr Dowling makes clear that Asda will not sell "own-brand" cars from any manufacturer or importer, the concept will be felt to have worked if customers begin to look to Asda for their car purchases, irrespective of the actual make.

The belief is that Asda should be able to make adequate profits from relatively small margins across the sales, service and trade-in spectrum, based on a high volume of business. This is expected to stem from cars and service/repairs being brought to the consumer—Asda's business is based almost entirely on car-borne shoppers—a high service level and removal of the "hassle" factor. "The last thing we want is traditional car salesmen from the motor trade. Consumers need to feel that they've bought a car, not that they've been sold one."

If the concept does work—and it will not be tested until after the first four outlets are opened in June — Asda's proclaimed belief that it would help expand the UK new car market — could lead to buyers being drawn in from wider catchment areas. That could place existing dealers under pressure

Mr Dowling makes clear that the first outlets are not regarded as simply a pilot project. "This is a serious entry into a very large market which has a lot of potential."

He says the concept should work even on Asda's smaller sites, with perhaps only one or two cars on show, but with computer links providing a rapid supply pipeline.

In drawing cars from a variety of manufacturers, the venture differs significantly from the small number of car "hypermarket" agreements which already exist outside the UK, on the Continent and in the US. These are all single-franchise arrangements, such as the sale of Austin Rover cars through the Massa hypermarket chain in West Germany.

Mr Dowling stresses that the manufacturers who have joined in Asdadrive include the large volume producers. Asda, perceiving itself as a market leader in its existing superstores sector, would not have been interested "if just a few importers were prepared to get involved."

Since only dealer "open points" are involved, Asda is in theory "going by the book" and setting itself up as a conventional franchise holder which just happens to be a superstore chain. And this in itself does not necessarily herald the start of a car retailing free-for-all, leading to the imminent break-up of the exclusive franchise networks.

But it anticipates no difficulty in acquiring as many franchises as it feels necessary. "The number of open points which exist when all the manufacturers are taken into account *is surprising*," observes Mr Dowling.

Asdadrive, fits in with Asda's group strategy of broadening the scope of all its retailing activities. Past, successful diversifications include the brown goods sector, while next year there are plans to open very large superstore sites also accommodating MFI, the furniture group with which Asda's parent, Associated Dairies merged last year.

Some executives within the trade and industry think Asda may be biting off more than it can chew. Doubts are raised whether it can generate enough volume initially to match the buying power of the largest conventional dealer chains. These include companies like Wadham Stringer, whose parent Tozer Kemsley and Millbourn's recommended bid for the Kenning group should soon provide the group with around 50 outlets spanning most of England. Sales from one manufacturer of as many as 8,000-9,000 units a year are suggested as being necessary to obtain the best terms from the UK-based manufacturers.

Others question Asda's ability to judge trade-in values correctly. The "courtesy car" approach, it is suggested, could cost far more than it bargained for.

Mr Dowling refuses to discuss volumes, insisting that Asda has spent two years doing its sums.

Mr Guy Bergaud, managing director of Renault UK, one of the first companies to be approached, concedes that "they could force the rest of the trade to be more aggressive in the marketplace."

Nearly 600 dealers in the Motor Agents Association, whose 13,377 members represent the bulk of the UK motor trade, ceased trading last year, and the MAA warned recently that members "will continue to face difficult trading circumstances," even without the arrival of Asda.

Its intervention will not be welcomed. But Prof Krish Bhaskar, head of the Motor Industry Research Unit at University of East Anglia, observes that fundamental change is inevitable. "Distribution and retailing expenses now amount to 25-30 per cent of the final cost of a car. So although the manufacturers have made enormous strides in the development and production of their product the process of car-selling has changed only marginally.

"It is ripe for a re-think."

Man in the News

Dr Kurt Waldheim

National spirit subdues a ghost

By Patrick Blum

DR KURT WALDHEIM is in jubilant mood. Watching him stride across meeting halls or making quick forays among supporters on his long campaign trail, no one would guess that the former United Nations Secretary-General and now the leading candidate in Austria's presidential election, is at the centre of a furious international row over his wartime past.

"People are impressed at the way I handle these accusations," he said some weeks ago after a day's hard campaigning in the Upper Austrian city of Linz, one of the country's industrial heartlands.

Yet the accusations are serious enough. He is alleged to have been implicated in Nazi atrocities in the Balkans and accused of having sought to hide his past by failing to mention his wartime service in the Balkans between 1942 and 1945 in his official biographies. He has vigorously denied the allegations, dismissing them as a smear campaign to undermine his presidential bid. There is *no conclusive evidence to suggest* he was involved in atrocities.

It is remarkable that in the last month-and-a-half of a campaign which has been dominated by the controversy, Dr Waldheim has not shown any sign of becoming demoralised.

On a few occasions he has lost his temper with the press, but these were rare moments and mostly with foreign journalists. Throughout, he appears to have striven successfully to keep his mind firmly fixed on the campaign and has proved a master at dealing with his domestic audience. His protestations of innocence delivered in injured tones couched with emotion have given the lie to those who have portrayed him as a cool and colourless diplomat.

"The Austrian people, and they alone, will decide on May 4," he says. He is pulling out all the stops to win without the need for a second ballot in June.

Yet Dr Waldheim's more recent past as the UN's most senior official between 1972 and 1982 would not seem to have been the best preparation for what has become a gruelling campaign.

The austere 67-year-old Dr Waldheim has been described as dull, aloof and arrogant. His campaign style has in practice been strongly reminiscent of presidential primaries in the United States. His public appearances have been well orchestrated with an eye to the large television audiences.

If he had any moments of doubt, these were swept away by the intervention of Dr Rudolf Kirchschlager, the Austrian President, who has stood outside the cut and thrust of Austrian party politics.

Earlier this week, in a 25-minute speech watched by 3m people out of a total population of 7.5m, Dr Kirchschlager both attacked Dr Waldheim and then gently removed him from the war crimes hook.

Dr Kirchschlager admonished Dr Waldheim for claiming not to have known of the atrocities committed by German troops in the Balkans. As a staff officer preparing daily reports for the general staff in Salonika, Greece, Dr Waldheim must have known what was going on in the whole of the Balkans war theatre, the President said. Thousands of jews were deported to concentration camps from Salonika and there were ferocious reprisals by German forces against partisans in the region.

Dr Waldheim maintains that he did not know of the atrocities until recently. The President's words made clear that Dr Waldheim must have known what was going on. But they have made little impact on him or his supporters in the Conservative People's Party.

Dr Kirchschlager's comments that there was insufficient evidence to prove the allegations and his rebuttal of foreign journalists and critics of Austria were seized upon as vindication of Dr Waldheim. "The allegations against me have now collapsed," Dr Waldheim told jubilant supporters after the speech.

The image conveyed all along by Dr Waldheim is that of a *man unjustly treated. How could* anyone make such accusation against me, he seems to say. "I was not a Nazi. I did my duty like hundreds of thousands of other Austrians," he says.

Here lies an important, if subtle point. Many Austrians, in high and low places, perceive the war years in exactly this way. There is a collective memory, some would say amnesia, about the period that started with the annexation of Austria to Nazi Germany in 1938 and ended with ignominious defeat in 1945.

Few Austrians actively opposed the Nazi authorities and most accepted, even if reluctantly, the reality of Nazi rule.

A generation of Austrians does not take kindly to reminders of these traumatic events. On a Vienna street the other day, a group of older Austrians confronted a young Austrian who was raising questions about Dr Waldheim's past. "Who are you to say anything? What right have you got to make accusations? You were not there at the time. How do you know what it was really like?" they declared as the rounded on him.

Most of all, Austrians do not like to be reminded of their past by foreigners. Yesterday's report of potential restrictions on Dr Waldheim's access to the US are a case in point. That one of the main sources of accusations against Dr Waldheim has been the World Jewish Congress has served to stir both nationalist and anti-semitic sentiments.

Dr Waldheim himself has strongly condemned anti-semitism. But he has said nothing of the campaign that has been waged by his supporters and leading Conservative politicians who have raised the spectre of "foreign interference" in the country's affairs and called on Austrians to vote for Dr Waldheim for patriotic reasons. The virulence of that campaign has alarmed Austria's small Jewish community and its leaders have expressed serious fears.

Dr Waldheim has sailed through all of this, maintaining a demanding schedule of meetings and public appearances that have taken him across Austria.

The man most likely to become Austria's next president —he still holds a 4 per cent lead over his Socialist rival— has demonstrated a cunning ability to gauge Austrian public opinion.

Whether he succeeds or not, nationalism has again become a prominent feature on the Austrian political map.

Pétain and French politics

A shroud of contradictions

By David Marsh in Paris

OF ALL the World War II leaders of nations, Philippe Pétain, Marshal of France, was the one marked out by destiny — whichever way the conflict ended — for a lonely grave.

Wrapped in a shroud of contradictions and mythology, which has not ceased to grow over 40 years, the focus of a confused mix of shame, scorn and (for some) almost religious veneration, the Marshal lies, not quite at peace, in the desolate island cemetery at the Ile d'Yeu off France's west coast.

His tomb, a monument to ambiguity, still casts its shadow over France's political scene. Like the controversy in Austria over the alleged Nazi past of Mr Kurt Waldheim, the former UN Secretary-General, simmering passions over Pétain underline how many war wounds in Europe are still far from healed.

The French cannot make up their minds about the man who on the one hand gave them victory amid the battlefield carnage of Verdun in 1917, and on the other led them in servitude and surrender as chief of the collaborationist government in Vichy during the ignominious occupation years of 1940-44.

The subject may not be top of its list of priorities. But the new Right-wing administration of Mr Jacques Chirac will at some stage have to make a decision, like all governments since the war, over a somewhat gruesome question: what to do with the Marshal's remains.

The matter was probably uppermost in the minds of the small number of Frenchmen and women who celebrated the Marshal's 130th birthday on Thursday at the Pétain homestead in the north of France.

The farmhouse at Cauchy-a-la-Tour near Calais has been bought and is being renovated by the Association for the Defence of the memory of Marshal Pétain.

The organisation was set up when the Marshal died in 1951 after six years of imprisonment — the same length of time that Napoleon was exiled before his death on Saint Helena — in a disused Ile d'Yeu fort. He had been convicted of collusion with the enemy in France's most celebrated post-liberation trial.

Mr Rene Minguet, the organisation's 74-year-old general secretary, a civil servant who helped to administer schools in Normandy under the Pétain government right up to the D-Day landings, was hoping that 100 people would turn up for the ceremony.

Marshal Pétain: his tomb a monument to ambiguity.

The association also owns the Marshal's apartment in the former Hotel de Parc in Vichy, the hub of the Pétain war-time government. Local residents have, however, opposed plans to turn it into a museum — and a plaque on the door was stolen by Resistance veterans.

The Pétain association plans more events around the country during the rest of the year to try to drum up support for the Marshal's last wish — that his body be buried at the vast Douaumont Cemetery which commemorates the nearly 800,000 French and German soldiers who died at Verdun.

Mr Minguet claims his group is apolitical. But some more militant Pétain supporters make no secret of their allegiance to the extreme Right National Front, which won 10 per cent of the vote in the March general elections.

The suggestion of reburial at Verdun has been turned down regularly by all Fifth Republic governments; in a goulish episode in 1973, the body was dug up and carried to the mainland by extreme Right-wingers but then returned to the island.

Pétain's head of state role during the occupation years — when the Vichy government actively aided the Germans to round up, deport and kill tens of thousands of French and foreign Jews and also declared its own war on the Resistance — makes any question of formal rehabilitation unthinkable at present. War-time polarisation between supporters of the Marshal and the exiled General de Gaulle — sentenced to death as a deserter in 1940 by the Vichy government — leaves its mark.

Mr Jacques Isorni, now aged 74, the Right-wing lawyer who was one of Pétain's defence council in 1945 and has mounted nine vain efforts since then to clear the Marshal's name, admits that the new Gaullist Justice Minister, Mr Albin Chalandon, is unlikely to accede to requests to reopen the dossier.

A recent oponion poll indicated that 38 per cent of French people favoured the Marshal's condemnation, with 31 per cent believing it was unjust and another 31 per cent having no opinion.

Sympathisers claim that the Pétain government "avoided the worst" of Nazi repression which hit other occupied countries like Poland. Developing the somewhat tendentious theme that the old marshal played a skillful double game. Pétainists claim that some of his most notorious actions — the denunciation of the Resistance or the call for workers to do nothing to impede the Germans after the Normandy landing — were simply expedients to appease the Germans.

His heart, they argue, was with de Gaulle all along. This is unlikely. But with judgments over Pétain obscured by the intrigues of Vichy and his sporadic senility, the contention is impossible completely to disprove.

President Francois Mitterrand, himself a past master in coded statements and subtle political power games, recently pointed out that in 1940, many French prisoners-of-war believed that de Gaulle and Pétain were working hand in hand. A man of markedly Right-wing sympathies in his youth, Mr Mitterrand worked for the Vichy regime before passing into the Resistance and was awarded the Pétainist Francisque medal.

Vichy France set down the groundwork for important parts of France's post-war economic upsurge.

But when Mr Raymond Barre, the former Prime Minister, took up in a speech before the elections the Pétainist slogan "Travail, Famille, Patrie" (Work, Family, Country — planned to replace Liberté, Egalité, Fraternité under Pétain's draft constitution), he received a sound rebuke from Mrs Simone Veil, the popular centre-Right politician who was deported to Auschwitz during the Nazi occupation.

Forty years on, the stains and the memories are long-lasting; and there are conventions over the Pétain era which politicians break only at their peril.

Britain's family doctors

Lots to talk about. . .

By Walter Ellis

IT IS a comforting institution, Britain's network of general practitioners. It is to the "family doctor" that Britons take their ailments and complaints. Then, the high street chemist deciphers the doctor's scrawl, to complete what for most people is their main experience of primary care in action.

The image is a slightly cosy one, and not every GP qualifies for the description. Some doctors are cold and aloof. A few are even incompetent. But, broadly speaking, it persists.

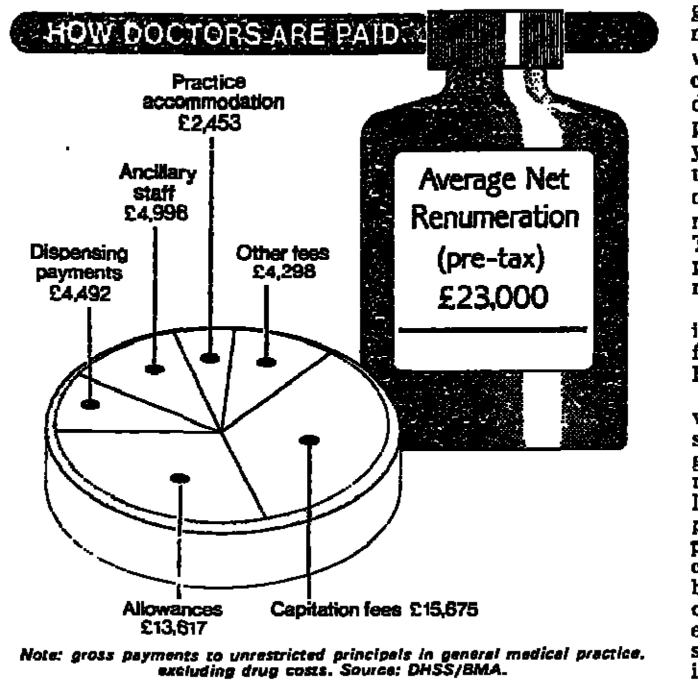
In other areas, the image of Britain's National Health Service is very different. The hospital sector, in particular, is held by many to be increasingly arthritic and in urgent need of replacement surgery. Yet it is primary care — doctors, dentists, pharmacists and opticians — which has been in the news this week. The Department of Health and Social Services has produced, after four years of study, the first comprehensive review of general practice since the setting up of the NHS in 1948.

The reason for the review is simple enough. Nine-tenths of the contacts the public has with the NHS are with family practitioners and their allies, the community nurses, midwives and health visitors. More than £5bn is spent each year on primary care in the UK — over 30 per cent of total health service expenditure. The cost has risen by almost 30 per cent in real terms since 1980.

On an average working day 650,000 people are seen by their family doctor and about the same number get medicines on prescription from their local chemist.

Considering these statistics, it might be thought odd that a comprehensive review has not been carried out before. Mr Norman Fowler, the Social Services Secretary, seems determined to seize the opportunity. His Green Paper is a kind of body-scan of primary care, linked to a tentative diagnosis based on increased team-work and sound economic management. It is far from strident in tone. The document has a good bedside manner, and so far the political reaction has been good, even from the Labour Party.

Suggestion, not compulsion, is the key to the review. Even the more controversial ideas — the setting up of "health shops," in which doctors and other professionals would be employed on a commercial basis, and enforced retirement at 70 for doctors and dentists — are to be subjected to scrutiny by ministers, officials, professionals and consumer groups over the next nine months.



Note: gross payments to unrestricted principals in general medical practice, excluding drug costs. Source: DHSS/BMA.

The British Medical Association is already preparing its position. In the past, relations between the BMA and the Government have not always been smooth. Doctors' pay is a regular bone of contention, and the introduction of the limited list system, under which certain proprietary drugs are banned in favour of cheaper "generic" alternatives, continues to irritate GPs.

The Green Paper is quite bullish on pay. It says that the payment system should be developed "in order to recognise high standard quite explicitly, probably through the introduction of a 'good practice allowance.'"

The Government's objective here, in line with its general policy of payment by results, is "to raise the general quality of services nearer to that of the best." Doctors' contracts — considered sacred instruments of independence within the profession — could, it is proposed, be re-negotiated, with a higher proportion of total remuneration being based on the number of patients on a doctor's list than the present level of 45 per cent.

The idea, similar to that being pressed unsuccessfully on teachers, is to provide an incentive to doctors to practise in ways that will encourage patients to join their lists. Market forces, in fact.

Entitlement to a good practice allowance might, the review suggests, be linked to other factors as well, such as a doctor's willingness to operate outside normal hours and the provision of extra services and specialist clinics. Post-graduate qualifications would also be considered.

These have the merit of being so-called "objective measures." What doctors do in these areas is quantifiable and the BMA sees no problem. It is, though, concerned about the suggestion of "professional assessment" as the second criterion for a good practice allowance.

Dr Michael Wilson, a York GP for 25 years and current chairman of the BMA's General Medical Services Committee, says the association is not opposed in principle to doctors sitting in judgment on their fellows. In post-graduate training, they already do. "But the system must be agreed first and should be seen to be fair and equitable."

Doctors have traditionally been among the better-paid professionals. Most people associate their GP with a solid house and a big car even if they rarely give thought to the long hours many put in. Nevertheless, while feeling secure about their continued high status in society, doctors do feel hard done by on pay. For each of the past five years, the recommendations of the independent review body on doctors' remuneration have not been implemented in full. Their average pay of £23,000 puts them on a par with a middle-ranking civil servant.

Dr Wilson says that changes in contract must be a matter for negotiation between the BMA and the Department.

The profession is likely to be very concerned about the still tentative health shops suggestion. Mr Fowler, quoting the maxim "mert in diversity," believes it is worth exploring the possibility of a group of medical professionals — doctors, dentists, chemists, opticians and others — being brought together under one roof as company employees. The concept is similar to some local health care centres in the US.

The BMA disagrees. Companies, it argues, would be motivated to provide the cheapest treatment and achieve the highest profits. Under the contract system, the emphasis is said to be on the best available treatment.

The idea of companies taking profits out of the NHS is unwelcome, says Dr Wilson.

The BMA is, however, keen to talk, even if it will fight hard to prevent the creation of a structure in which the "independence" of GPs is threatened.

The profession's leaders say they are committed to progress. They accept many of the proposals outlined in the DHSS review, including increased resources for primary care in the inner cities, an enhanced public guidance role for pharmacists and the proposal, taken from a separate report on community nursing, that neighbourhood nurses should be able to prescribe a limited list of items, such as dressings and ointments.

GPs today see themselves increasingly as community professionals, involved with issues like family planning, child-care and drug abuse as well as illness. Many, particularly in the inner cities, are over-worked, and their premises are often cramped and ill-equipped. They want change, but they want it by negotiation. In that respect, they think the Fowler Green Paper has made a reasonable start.

Letters to the Editor

A welcome for the tax men

From Mr N. Beyts

Sir,—In your section Parliament and Politics on April 22 you published the article by Hazel Duffy about the "Revenue losing inspectors." In the article Sir Lawrence Airey is reported to be saying the Inland Revenue is losing inspectors from the Civil Service to private practice, and that since inspectors cost £40,000 to train over five years, the circumstances must be regretted.

I respectfully suggest one should deal with the problem of which Sir Lawrence has complained, in a way that helps the administration of tax, which is what his problem is all about.

The Inland Revenue is charged with the detailed administration of income and certain other taxes. Far from deploring inspectors leaving the Revenue for private practice, I suggest the Inland Revenue might welcome the migration as a way of providing tax payers (who must work with the Revenue in tax administration) with a pool of well trained tax advisers to assist them with compliance with complex tax laws and arrangements.

If it really costs £40,000 to train a tax inspector, as Sir Lawrence claims, you may consider it is reasonable that this cost should be met by the Revenue only, because it is a cost solely concerned with its proper work.

It might seem reasonable to readers that if the Government is unable to simplify the tax system it should in any case attempt to willingly supply the private sector with tax administrators who understand it from the Revenue's point of view. I suggest it can do nothing but good for all concerned.

It appears from your article that the Revenue is supplying trained tax officials only slowly and grudgingly. Is that inflating the salaries they earn in the job market?

Nicholas Beyts,
26a Astwood Mews SW7.

The price of oil

From Mr D. Harvey

Sir—Mr Fletcher (April 19) may be over-estimating Mr Lawson's concern about the financial prosperity of his garden oil well operation.

The Chancellor must be inevitably more concerned about the prosperity of the vastly more numerous taxpayers who buy oil and who in the long run determine its price.

Mr Fletcher may have a respetable case for cutting back his own oil production, but only if thereafter he can continue to service the debt he incurred to finance the cost of finding and developing it in the first place.

Douglas R. Harvey,
Sandy Lodge,
Churt,
Farnham, Surrey.

Saved by the bids

From Mr J. Lumb

Sir,—Whatever one may think about the two recent enormous take over bids for Imperial and Distillers, there can be no doubt that they attracted considerable interest, and for me some anxiety.

Some of the tactics employed by the board of Imperial were so degraded that I could never again have purchased any of its products if it had won the contest, but how could I have replaced the Lea and Perrins I use for Bloody Marys?

Similarly after the frightful photograph of that Argyll chap in the papers inviting shareholders to phone him — copycat number two of Lord Hanson — it would have been impossible for me to deal again with Distillers under his chairmanship. He lost of course, so my modest purchases of Booth's gin and Johnnie Walker can continue unchecked.

If the institutions are largely responsible for these happy results, good luck to them, and congratulations on their good taste.

J. E. Lumb.
Markham House,
York Street,
East Markham,
Newark, Notts.

Burning the rubbish

From Mr P. Kreamer

Sir,—In his excellent article of April 18 David Fishlock gives a pretty fair round-up of the alternative energy scene in the United Kingdom. He reminds us of the impressive sums which have been spent on such way out proposals as the geothermal energy project and the commonly disintegrating windmill. A renewable energy source he omits is rubbish, perhaps because it requires no further research.

Rather than waiting for this material to rot, sterilising large areas of the countryside meanwhile, why don't we burn it? Virtually every European city has its refuse-burning energy centre taking advantage of the fact that three tons of refuse equals one ton of coal to produce saleable hot water, steam and electricity.

We on the other hand burn a miserable few hundred thousand tons from the many millions arising in London alone.

The logical organisation to build and operate well tried refuse burning power stations is the Central Electricity Generating Board. Unfortunately it is so preoccupied with trying to win Sizewell that, much as it may wish, it hasn't the time to consider this readily available alternative fuel.

Consequently London is spending more than £50m a year burying 1m tons of coal equivalent.

Peter Kreamer.
39, Bell Lane,
Eton Wick,
Windsor, Berks.

Independent schools

From Mr D. Bennett

Sir, — You report (April 22) that Mr Clement Freud, the Liberal education spokesman, announced in the Commons that an Alliance Government would consider removing the charitable status of independent schools on the grounds that it is wrong for the community to suffer a loss of tax revenue in order to maintain "elitist institutions."

Presumably when Mr Freud calculated the financial benefit to the nation of this proposal there was no room on the back of his envelope to include the additional costs of accommodating and educating the approximately 400,000 extra pupils which he obviously hopes would be brought into the state sector by such a measure. Furthermore, if the intended outcome of this proposal is to destroy the independent schools, it hardly seems necessary to formulate a policy of phasing out the assisted places scheme.

D. R. T. Bennett.
85, Huddleston Rd, N7.

A teacher's duties

From Mr R. Davies

Sir, — In his article of April 12, Michael Dixon correctly identifies the definition of teachers' contractual duties as the most significant educational issue. The prospects of agreement, however, are slight.

The employers propose that the responsibilities include: preparation and teaching of lessons, marking work, supervising classes of absent colleagues, and attending parents evenings. Teachers would also be contractually obliged to do any other tasks thought appropriate by head teachers, advisers, and HMIs. Further, the proposals for teacher appraisal make it clear that assessment is to include enthusiastic participation in voluntary extra-curricular activities. In return, the Government would allow teachers' pay to be 5 per cent higher over the next four years than had previously been intended.

Teachers wish, in contrast, to set an upper limit on their duties. Research has invariably shown staff work of 2,000-plus hours a year, much of it at times when other occupations would be rewarded with overtime or unsocial hours payments; a teacher's basic pay is his total earnings. They also wish to see a median teaching salary double the starting pay (rather than 50 per cent more as at present) and index linking of annual awards.

The progress of the educational armada on to the rocks has been faithfully recorded in HMI reports which have spoken for years of schools badly maintained and decorated, insufficient supplies of books and equipment, and declining morale of the workforce. Ministers have responded by insisting that a reduction in pupil numbers must produce large savings, ignoring the fact that only the school capitation budget (less than 5 per cent of total costs) is a truly variable cost.

None of the Government initiatives addresses these problems. To this teacher (still awaiting receipt of 12 months' back-pay, and with his next award already overdue) it seems inconceivable that the Conservatives see education as an election-winning issue.

R. A. Davies.
153, Kenilworth Rd, Ainsdale,
Southport, Merseyside.

Differentials in pay

From Mr J. Lindsay

Sir,—I was fascinated by the comment (April 21) that of 688 staff at Brixton Prison, 103 earned more than £20,000.

Here at Kingston Polytechnic, of 470 teaching staff, 10 earn that sort of money. If you add in 500 non-teaching staff, the total might reach 11. Of our nearly 6,000 students, the ones who return after completion of their sentences do so voluntarily.

If you think the Government ought to explain its prison policy, perhaps you also think it ought to explain its policy on paying its educators.

John Lindsay.
Kingston Polytechnic,
Penrhyn Road,
Kingston upon Thames, Surrey.

Borrowers win both ways

From Mr T. Taylor

Sir,—I applaud the article written by Alice Rawsthorn (April 19) on our budget plan, and particularly her grasp of the scheme, except for one very important omission. The plan has a safety net so that changes in interest rates of plus or minus 3 per cent result in monthly payments being re-calculated. On some endowment accounts the total reduction is already 2.25 per cent with 1.75 per cent on most repayment mortgages. With the further reduction in interest rates anticipated by Alice Rawsthorn the borrowers win both ways because they can reduce payments and stay in the scheme. In the event of some borrowers qualifying for a re-calculation of repayments all budget plan (and gross profile) borrowers would be given a revised figure. Borrowers would then have the choice of reducing payments or maintaining the current level.

T. W. Taylor
Halifax Building Society,
PO Box 60,
Trinity Road,
Halifax, Yorkshire.

Joining the EMS

From Mr W. Grey

Sir,—Mr Peter Robeson (April 22) tried to make our flesh creep with talk of the possible consequences of our joining the European Monetary System. But he made no mention of the real consequences, in lost jobs and output, of our earlier failure to do so—consequences which by now are acknowledged by all but the handful of remaining opponents of full membership.

Such membership is, of course, no panacea or soft option, just as it is quite possible, given the same will to heed the exchange rate message and as far as possible keep the exchange rate stable, to obtain the same benefits and avoid the same pitfalls without it. But let us not, especially now that monetary indicators are somewhat discredited and other acceptable targets are in equally short supply, turn up our noses at a system which, though not perfect (what is?), manifestly works.

W. Grey
12, Arden Road N3.

UK COMPANY NEWS

Extel wary of Maxwell threat

BY CHARLES BATCHELOR

EXTEL, the business and sporting information group currently under siege from Demerger Corporation, is preparing to fight what it regards as an even more serious threat—a possible takeover bid from Mr Robert Maxwell.

Extel expects Demerger's £170m bid to fall when it reaches its final closing day on Monday but believes it might be swiftly followed by a bid from Mr Maxwell, chairman of Mirror Group Newspapers and of British Printing and Communication Corporation.

Kleinwort Benson, Extel's merchant bank, is expected to ask the Takeover Panel to reverse a previous ruling that Mr Maxwell was not acting in concert with Demerger. N.M. Rothschild, Mr Maxwell's advisers, last week obtained a ruling from the Panel executive that he was not acting in concert.

If Mr Maxwell is established as acting in concert with Demerger he would be barred, by the Takeover Code, from launching a takeover bid for Extel for 12 months after the lapsing of the Demerger bid.

Despite the earlier Panel ruling that Mr Maxwell was not in concert with Demerger, Kleinwort is expected to argue that the position has since changed.

Mr Maxwell swung his 11.7 per cent stake in Extel behind the Demerger bid earlier this month and was invited on to the Demerger board as a non-executive director.

The Demerger offer won the support of the holders of a total of 37 per cent of Extel's shares by the first closing date on April 18. Apart from Mr Maxwell it was also backed by MIM, the fund management group headed by Mr David Stevens, chairman of United Newspapers. MIM owns nearly 9 per cent of Extel.

Mr Maxwell has indicated he would be interested in acquiring control of parts of Extel. He is believed to be particularly interested in Burrups, the printing group. Mr Stevens is understood to want to acquire Benn, the publishing group United Newspapers lost to Extel in a bid contest three years ago.

The Demerger bid requires acceptances from the owners of 90 per cent of Extel's shares in order to get the tax concessions it considers necessary to make the bid worthwhile.

However, if Demerger wins the backing of more than 50 per cent of shareholders it plans to urge the Extel board to recommend acceptance.

Both sides were confident yesterday that they would win the battle though Kleinwort announced it had bought a further 200,000 Extel shares at nearly 389p on Thursday. Kleinwort has been supporting the Extel share price in recent days, prompting an unsuccessful complaint from Demerger to the Takeover Panel.

The Demerger bid for Extel is one of the most unusual to be attempted in the present takeover wave. A newly-created company, Demerger, launched a share-only offer, which it valued at £173m, for Extel on January 31.

Demerger, which was being advised by Hencorp, Earl, a little-known corporate finance house, announced plans to split Extel into its five component parts — business and sporting information, printing, advertising and public relations, publishing and computer systems. They were all to be floated off on the stock market with Demerger retaining management control of the core business and sporting information operations.

Extel and many institutions reacted scornfully to the original Demerger bid but when it added a cash alternative worth 400p a share the City started to take the offer more seriously. Kleinwort has continued however to attack Demerger for failing to reveal the names of the institutions which have underwritten the cash alternative.

Extel has refused throughout the two-month bid campaign to issue a profits estimate for the year ended March 31, arguing it was saving this figure in case it needed to fight a takeover bid from Mr Maxwell or another predator.

Next week may produce developments which will require this estimate to be published.

Home Counties in the red after closures

An exceptional loss of £1.06m arising from closures and redundancies, has left Home Counties Newspapers Holdings with pre-tax losses of £461,000 for 1985, against a profit of £1.09m. At the half year stage profits of £324,000 had been achieved, compared with £621,000.

The group, which publishes local weekly newspapers in Greater London, Bedfordshire, Hertfordshire and Buckinghamshire, improved turnover from £13.08m to £13.19m.

An unchanged total dividend of 7p is being paid, with an increased final of 5.5p (4.75p). Losses per share are shown as 8.9p against earnings of 23.7p.

There was a £240,000 tax credit (£494,000 charge), and extraordinary credits amounted to £10,000 (£884,000).

The company disposed of 150,000 of its Reuters Holdings B ordinary shares on April 15 and 16 for £615,275 net, against a book value of £294,000. The board proposes to reinvest the proceeds in developing the business.

Westland chief favours inquiry

BY LIONEL BARBER

SIR JOHN CUCKNEY, chairman of Westland, the British helicopter maker, yesterday came out in favour of a Department of Trade inquiry into the controversial bout of share dealing in the company earlier this year.

Speaking at Westland's AGM, Sir John said he would welcome any event which would leave the company in peace to get on with its normal trading business.

The share dealing controversy centres on the role of six mystery buyers who bought almost 21 per cent of Westland's share capital during a contested capital reconstruction. The buyers almost certainly voted in favour of Westland's favoured partners, Sikorsky, the US helicopter maker, and Fiat of Italy against a rival European aerospace general meeting of shareholders last February.

At the AGM, shareholders backed a resolution to reduce the company's share premium account, thus helping to eliminate the substantial loss in Westland's profit and loss account and allowing the company to pay future dividends.

USM placing for Musterlin

BY ALICE RAWSTHORN

The Musterlin Group, which owns the art and travel book publisher Phaidon, and book packager, Equinox, is joining the USM through a placing which will capitalise the company at £7.1m.

The company was formed in 1981 after a management buy-out of Phaidon and Equinox from the Dutch publishing group, Elsevier-NDU, organised by the chairman and managing director, Mr George Riches.

The Musterlin Group's turnover has increased from £878,000 in 1981, the year of the buy-out, to £3.28m last year. In the same period pre-tax profits have risen from £365,000 to £1.32m.

The placing, arranged by stockbrokers, Fielding Newson-Smith, will release 1.35m ordinary shares, 20 per cent of the issued share capital, at 105p per share. The issued shares will be composed of 350,000 shares from the company's directors, 500,000 from institution shareholders and 500,000 new shares. After the placing the directors will control 50.3 per cent of the company.

The proceeds of the placing—£1.76m after expenses—will be used initially to reduce borrowings and to increase working capital and in the longer term to finance acquisitions in other areas of book publishing.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Fri April 25 1986

Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Thur April 24 Index No.	Wed April 23 Index No.	Tue April 22 Index No.	Year ago (approx.) Index No.	1986 High		1986 Low		Since Compilation High		Since Compilation Low	
1	CAPITAL GOODS (214)	726.83	+0.6	8.03	3.31	15.76	4.79	722.22	729.19	740.26	549.04	742.92	18/4	567.56	14/1	742.92	18/4/86	50.71	13/12/74
2	Building Materials (26)	808.15	+1.1	8.09	3.37	15.51	2.43	799.40	809.46	825.66	500.82	844.79	4/4	613.05	23/1	844.79	4/4/86	44.27	11/12/74
3	Contracting, Construction (29)	1189.83	-0.4	8.10	3.89	16.29	7.69	1194.94	1201.21	1205.30	723.06	1205.30	22/4	911.08	23/1	1205.30	22/4/86	71.48	2/12/74
4	Electricals (12)	2060.43	+0.7	6.82	3.69	19.44	2.59	2046.45	2080.29	2098.34	1557.51	2092.98	21/4	1530.81	2/1	2092.98	21/4/86	84.71	25/6/62
5	Electronics (38)	1689.14	+1.2	8.56	2.70	15.56	8.68	1669.79	1679.22	1696.68	1758.99	1802.12	18/4	1587.86	13/1	1905.05	13/1/86	84.83	8/10/85
6	Mechanical Engineering (63)	408.52	-0.2	9.08	3.83	13.97	3.88	409.14	411.76	419.05	307.45	422.95	18/4	316.63	23/1	422.95	18/4/86	45.43	6/1/75
8	Metals and Metal Forming (7)	351.04	+0.5	6.38	4.84	19.26	2.22	350.60	354.25	356.73	188.31	358.73	22/4	241.87	2/1	358.73	22/4/86	49.65	6/1/75
9	Motors (17)	289.27	+0.9	8.87	3.31	13.16	3.04	286.64	290.99	297.33	164.11	299.18	11/4	206.50	14/1	299.18	11/4/86	19.91	6/1/75
10	Other Industrial Materials (22)	1304.39	+0.7	6.30	3.04	19.09	11.38	1295.70	1312.27	1338.62	961.08	1347.13	3/4	993.49	2/1	1347.13	3/4/86	277.55	15/7/81
21	CONSUMER GROUP (184)	916.54	+0.3	7.47	3.06	16.74	4.83	913.82	925.30	943.42	644.36	948.16	3/4	739.82	14/1	948.16	3/4/86	61.41	13/12/74
22	Brewers and Distillers (22)	903.55	+0.2	9.12	3.37	13.36	4.15	901.64	917.29	934.52	526.56	968.90	3/4	764.25	14/1	968.90	3/4/86	69.47	13/12/74
25	Food Manufacturing (22)	680.86	+0.1	8.82	3.76	14.78	6.37	680.22	689.20	696.91	505.59	702.65	4/4	549.81	14/1	702.65	4/4/86	59.67	11/12/74
26	Food Retailing (15)	1896.58	+0.9	6.09	2.45	22.34	6.62	1879.51	1912.75	1938.40	1343.43	1976.34	14/4	1629.03	23/1	1976.34	14/4/86	54.25	11/12/74
27	Health and Household Products (8)	1534.90	+0.9	5.43	2.19	21.56	1.51	1521.78	1536.58	1569.47	1038.30	1651.15	17/4	1175.61	14/1	1651.15	17/4/86	175.38	28/5/80
29	Leisure (25)	899.97	+0.4	7.70	3.90	16.89	10.57	896.76	919.57	933.65	670.86	968.51	2/4	731.17	24/1	968.51	2/4/86	54.83	9/1/75
32	Publishing & Printing (14)	2353.88	-0.7	6.84	4.02	18.49	6.16	2371.47	2395.48	2415.93	1772.81	2429.80	21/4	1834.16	9/1	2429.80	21/4/86	55.08	6/1/75
33	Packaging and Paper (14)	454.57	-0.4	7.92	3.51	15.49	2.08	456.23	458.46	461.47	311.32	476.21	3/4	362.52	9/1	476.21	3/4/86	43.46	6/1/75
34	Stores (43)	903.23	-0.2	6.09	2.48	22.27	1.48	905.45	904.51	929.34	688.86	984.64	3/4	707.79	23/1	984.64	3/4/86	52.63	6/1/75
35	Textiles (17)	517.75	+1.0	9.14	3.50	12.53	0.46	512.73	521.12	534.41	321.54	574.41	3/4	375.58	14/1	574.41	3/4/86	62.66	11/12/74
36	Tobaccos (2)	1112.69	+0.9	12.75	4.38	8.81	20.60	1103.11	1136.34	1173.38	877.31	1229.63	10/4	1063.54	9/1	1229.63	10/4/86	94.34	13/12/74
41	OTHER GROUPS (85)	793.04	+0.7	8.41	3.71	15.19	5.18	787.82	797.95	813.92	579.80	859.53	4/4	696.16	21/1	859.53	4/4/86	58.63	6/1/75
42	Chemicals (19)	884.68	+0.6	10.48	4.54	11.60	14.93	879.00	893.01	912.61	744.01	955.30	14/3	729.24	14/1	955.30	14/3/86	71.20	13/12/74
44	Office Equipment (4)	253.72	-0.3	7.63	4.01	15.61	3.81	254.59	252.10	256.66	183.51	274.15	14/4	205.37	23/1	274.15	14/4/86	64.39	2/1/75
45	Shipping and Transport (12)	1610.62	+0.4	7.56	3.73	16.15	17.76	1603.78	1627.18	1648.11	1165.25	1677.64	3/4	1316.35	14/1	1677.64	3/4/86	90.80	29/6/62
47	Telephone Networks (2)	928.90	+0.7	8.87	3.48	15.46	0.93	922.61	934.22	958.40	853.21	1050.83	4/4	845.68	23/1	1050.83	4/4/86	517.92	30/11/84
48	Miscellaneous (48)	983.30	+0.8	6.53	3.37	18.89	3.99	975.31	987.73	1000.05	831.79	1053.25	3/4	866.26	9/1	1053.25	3/4/86	60.39	6/7/75
49	INDUSTRIAL GROUP (485)	846.61	+0.5	7.84	3.28	16.09	5.00	842.62	852.61	868.42	637.25	889.80	3/4	691.89	14/1	889.80	3/4/86	59.81	13/12/74
51	Oil & Gas (17)	1139.89	—	18.04	7.93	6.62	39.83	1139.47	1144.87	1161.96	1207.64	1231.16	2/1	1093.63	20/2	1239.75	15/2/85	87.23	29/5/62
59	500 SHARE INDEX (536)	873.52	+0.4	8.87	3.75	14.06	7.71	869.85	879.54	895.53	684.83	917.63	3/4	727.53	14/1	917.63	3/4/86	63.49	13/12/74
61	FINANCIAL GROUP (116)	613.46	-0.2	—	4.18	—	7.18	614.99	622.85	625.73	453.15	629.86	4/4	507.50	14/1	629.86	4/4/86	55.88	13/12/74
62	Banks (7)	673.30	+0.7	17.11	4.94	8.07	12.90	668.50	673.64	681.58	453.72	707.33	20/3	517.21	5/2	707.33	20/3/86	62.44	12/12/74
65	Insurance (Life) (9)	848.29	-1.7	—	4.31	—	14.69	863.09	877.74	882.78	688.85	906.18	11/3	765.18	13/1	906.18	11/3/86	44.88	2/1/75
66	Insurance (Composite) (7)	509.55	-0.2	—	4.06	—	4.30	510.49	512.49	518.98	348.51	525.13	14/4	483.56	21/1	525.13	14/4/86	43.96	13/12/74
67	Insurance (Brokers) (8)	1187.85	-0.3	8.81	3.94	14.73	12.29	1191.78	1184.48	1182.25	1095.84	1315.27	22/1	1159.01	14/1	1315.27	22/1/86	65.86	16/12/74
68	Merchant Banks (11)	360.79	+0.2	—	3.81	—	1.60	359.99	366.00	373.48	224.22	374.89	18/4	277.36	2/1	374.89	18/4/86	31.21	7/1/75
69	Property (50)	751.52	-0.9	5.39	3.33	24.85	2.40	758.41	768.23	769.37	633.50	769.37	22/4	655.84	2/1	769.37	22/4/86	56.01	20/4/65
70	Other Financial (24)	350.67	-0.2	7.59	4.21	15.70	2.16	351.33	356.26	355.93	282.93	362.00	4/4	287.55	2/1	362.00	4/4/86	33.29	17/12/74
71	Investment Trusts (103)	753.25	—	—	2.90	—	4.51	753.52	761.99	764.85	523.21	764.85	22/4	633.36	14/1	764.85	22/4/86	71.12	13/12/74
81	Mining Finance (3)	297.48	+2.9	11.17	5.36	10.43	1.60	289.18	298.28	304.78	298.41	331.16	2/1	245.83	2/1	337.57	10/4/84	66.31	30/9/74
91	Overseas Traders (14)	657.47	+1.2	13.15	6.28	9.04	8.09	649.53	666.43	673.17	668.63	702.43	7/4	597.55	2/1	702.43	7/4/86	97.37	6/1/75
99	ALL-SHARE INDEX (734)	797.32	+0.3	—	3.82	—	7.29	794.72	803.54	816.39	623.22	832.39	3/4	664.42	14/1	832.39	3/4/86	61.92	13/12/74

	Index No.	Day's Change	Day's High	Day's Low	Apr 24	Apr 23	Apr 22	Apr 21	Apr 18	Year ago	1986 High		1986 Low		Since Compilation High		Since Compilation Low	
FT-SE 100 SHARE INDEX §	1622.6	+7.1	1631.7	1611.8	1615.5	1632.7	1665.2	1668.0	1680.2	1295.3	1717.6	3/4	1206.1	3/1	1717.6	3/4/86	986.9	23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Apr 25	Day's change %	Thurs Apr 24	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	124.62	—	124.63	—	3.66
2	5-15 years	147.40	+0.08	147.28	—	4.58
3	Over 15 years	155.28	+0.11	155.10	—	5.19
4	Irredeemables	178.87	+0.05	178.23	4.45	6.07
5	All stocks	142.25	+0.06	142.21	0.04	4.40
	Index-Linked					
6	5 years	112.59	+0.12	112.45	—	0.81
7	Over 5 years	116.87	+0.26	116.57	—	1.21
8	All stocks	116.10	+0.24	115.82	—	1.14
9	Debentures & Loans	122.78	-0.43	123.30	—	4.01
10	Preference	86.49	—	86.49	—	2.20

	AVERAGE GROSS REDEMPTION YIELDS		Fri Apr 25	Thur Apr 24	Year ago (approx.)	1986 Highs		1986 Lows	
	British Government								
1	Low	5 years	7.68	7.67	10.57	10.26	20/1	7.37	18/4
2	Coupons	15 years	8.50	8.50	10.60	10.65	20/1	8.32	18/4
3		25 years	8.51	8.51	10.29	10.65	20/1	8.35	18/4
4	Medium	5 years	8.80	8.79	11.48	11.89	14/1	8.50	18/4
5	Coupons	15 years	8.89	8.79	10.95	11.15	20/1	8.58	18/4
6		25 years	8.80	8.79	10.95	10.74	20/1	8.58	18/4
7	High	5 years	9.00	8.99	11.85	12.07	20/1	8.70	18/4
8	Coupons	15 years	8.91	8.91	11.16	11.32	20/1	8.58	18/4
9		25 years	8.91	8.91	10.60	10.80	20/1	8.73	18/4
10	Irredeemables†		8.52	8.51	10.08	10.35	20/1	8.24	18/4
	Index-Linked								
11	Inflat'n rate 5%	5 yrs	3.37	3.39	—	5.18	14/1	3.32	21/4
12	Inflat'n rate 5%	Over 5 yrs	3.38	3.39	—	4.21	14/1	3.38	21/4
13	Inflat'n rate 10%	5 yrs	2.88	2.90	—	4.87	14/1	2.75	21/4
14	Inflat'n rate 10%	Over 5 yrs	3.22	3.23	—	3.85	14/1	3.21	21/4
15	Debs &	5 years	10.04	9.97	12.00	12.78	27/1	9.86	22/4
16	Loans	15 years	9.95	9.89	11.92	11.90	27/1	9.78	22/4
17		25 years	9.86	9.80	11.88	11.83	21/1	9.69	17/4
18	Preference		11.13	11.13	12.65	12.18	24/2	11.13	25/4

§ Opening index 1629.7; 10 am 1630.3; 11 am 1619.8; Noon 1615.3; 1 pm 1613.7; 2 pm 1613.1; 3 pm 1612.3; 3.30 pm 1613.6; 4 pm 1616.0.

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Telephone Networks	30/11/84	517.92	Food Manufacturing	29/12/67	114.13
Electronics	30/12/83	1646.65	Food Retailing	29/12/67	114.13
Other Industrial Materials	31/12/80	287.41	Insurance Brokers	29/12/67	96.67
Health/Household Products	30/12/77	261.77	Mining Finance	29/12/67	100.00
Other Groups	31/12/74	63.75	All Other	10/04/62	100.00
Overseas Traders	31/12/74	100.00	British Government	31/12/75	100.00
Mechanical Engineering	31/12/71	153.84	Do. Index-linked	30/04/82	100.00
Office Equipment	16/01/70	162.74	Debs. & Loans	31/12/77	100.00
Industrial Group	31/12/70	128.20	Preference	31/12/77	76.72
Other Financial	31/12/70	128.06	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4, price 15p, by post 28p. CONSTITUENT CHANGES: Clive Discount (24), Home Charm (34), Imperial Group (36) and Distillers (22) have been deleted. Collins Holdings (26), Isotron (48) and Ward Holdings (3) have been inserted. NAME CHANGES: Charter Trust & Agency (71) has become Kleinwort Charter Trust.

Cowan de Groot to buy Chart Foulks

By Lionel Barber

Cowan, de Groot, the toys and DIY importer and distributor, yesterday signalled a major shift in direction through an agreed £5.2m bid for Chart Foulks Lynch, which offers tuition and correspondence courses for the banking, law and accountancy professions.

The impetus for the acquisition came from Mr Philip Birch, chairman of Ward White, the fast-growing High Street retailer, who joined the Cowan board last January and acquired around 10 per cent of the company's shares.

Cowan has outlined plans for moving into financial services such as marketing and recruitment, offering exciting possibilities, said Mr Robin Wheeler, Chart's managing director. He and the Chart directors have pledged irrevocably their 71 per cent holding.

Cowan is offering 24 new shares for every 13 in Chart. On the basis of last night's closing prices for Cowan, up 2p to 71p, the offer values Chart, up 30p to 120p, at 131p per share. Chart joined the USM only last November with a placing price of 86p per share.

For the year ending April 1985, Cowan made £887,000 pre-tax profits (1984: £880,000) on £26.6m turnover (1984: £26.7m). Profits for the next six months rose from £656,000 to £773,000. The share offer, if fully accepted, would represent 35 per cent of the enlarged share capital, diluting Mr Birch's stake to around 7 per cent.

For the year ending last December, Chart made pre-tax profits of £334,000 (1984: £113,000) on £2.3m turnover (1984: £2m). Last year more than 10,000 students took part in the company's full-time, and correspondence courses. Net assets last December amounted to £704,000.

Staffs. Potteries hits out at Coloroll bid

By David Goodhart

Staffordshire Potteries yesterday launched its most vigorous attack to date on Coloroll—which is bidding £14m for it. In its final defence document before the bid closes on May 8, Staffordshire said that several important customers were expressing concern about a possible Coloroll takeover.

"Customers are already expressing serious concern and, in the case of one very important customer, all long term development business has been stopped," states the document.

Staffordshire also attacked Coloroll's reputation for growth. "On a pro forma basis Coloroll's profits increase over last year is forecast to be only 20 per cent—significantly less than our own increase of 42 per cent. Most of the growth is likely to come from the recent acquisitions. Wallmates and Worley."

It took issue with Coloroll's claim that the company must be embarrassed by the fact that UK earthenware sales to the US increased by 71 per cent in 1985 because "our own sales to the US increased by 80 per cent in 1985."

Siebe

Siebe, the safety products and engineering group, yesterday continued its market purchases of shares of APV Holdings, the process engineering group for which it launched a £182m takeover bid on Thursday.

Kleinwort Benson, Siebe's merchant bank, bought a further 1.74m shares at 575p yesterday—equivalent to 5.5 per cent of APV's equity—to take the total holding of the Siebe camp to 14.9 per cent.

Clive Discount

Mr Robert Maxwell, the publisher of Mirror Group newspapers, has accepted the agreed offer made for Clive Discount by Prudential Bache Securities of the US in respect of his 14 per cent stake in the company.

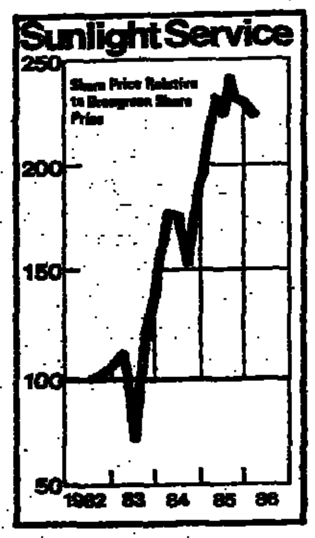
Mr Maxwell acquired his stake after the announcement of the Bache bid, giving rise to speculation that he might launch a counter offer. However, the Bache bid was declared unconditional on April 18.

Suter salary

Mr David Abell, chairman of Suter, the acquisitive engineering and distribution group, had his salary more than doubled in 1985 according to the company's accounts published yesterday. His income rose to £205,729 from £94,713 in 1984. Two other executive directors, Mr Tony Owen and Mr Bob Morris, also earned over £100,000.

Mr Abell said that his basic salary for 1985 was £125,000 and the rest was bonus directly related to profit which also more than doubled between 1984 and 1985.

Sunlight Service rises to over £5m



Sunlight Service Group has increased full year taxable profits from £4.37m to £5.2m, mainly reflecting further progress on the textile maintenance side.

This operation contributed £6.15m (£5.19m) in 1985 and more than offset a downturn from £692,000 to £65,000 commercial cleaning. Security operations made a higher £676,000 (£348,000) and contributions from elsewhere rose from £18,000 to £194,000.

Total group turnover was £67.82m, against £58.04m, and pre-tax profits were struck after virtually unchanged central overhead and interest charges of £1.88m (£1.87m).

Earnings per 10p share were 18.42p (adjusted 21.48p) before extraordinary debits of £17,000 (£1.36m). The final dividend is being raised to 7.45p (6.67p), which lifts the total payout on the enlarged rights capital to 9p (8.05p).

Sunlight says that results for the early months of 1986 have been encouraging, and the company is confident that good progress will be made.

The period of integrating acquisitions is complete and the divisional operational management structures have been strengthened. Sunlight says it is now in a position to offer its key services to all the major commercial and industrial centres in the country.

● comment

Sunlight's problem area sticks out like a sore thumb. The contract cleaning operation is barely in profit overall due to losses—probably a touch over £200,000—on its "privatisation" work and intense competition in the traditional field of office and factory cleaning. The latter is getting a bit easier but even with some cost cutting its privatised cleaning work is stuck with loss making contracts for a few years yet. But that should not slow the group down too much. The textile activities continue strong; industrial garments had an excellent year in 1985 and despite a shaky start in linen hire, profit margins were back on form in the closing half. The developing security business is obviously successful and the first full time contribution from Custodian this year should be worth comfortably in excess of £300,000 after financing charges. That puts '86 on target for £6.3m pre-tax—a p/e of under 11 at 205p.

Woolworth planning for £150m spending spree

BY CHARLES BATCHELOR

Woolworth Holdings, the stores group which is fighting a £1.6m takeover bid from Dixons, the electrical retailer, yesterday unveiled plans to spend £150m on expanding and redeveloping its outlets over the next year.

A total of £84m will be spent on B and Q, Woolworth's DIY superstore chain; £43m will be spent on Woolworth stores and £14m on Comet, the out-of-town electrical group. A further £10m will be spent on property redevelopment.

This expansion will take the group's combined total of outlets to more than 1,200, and 1.7m square feet of trading space and create 2,500 jobs over the next year, Woolworth said.

At Woolworth 20 stores will undergo a major refurbishment and 200 will be redesigned. Comet will open or relocate 34 stores followed by a further 50 in 1987. B and Q will open 29 new outlets including four relocations.

Mr Geoff Mulcahy, Woolworth chief executive, said: "This year's expansion programme signals clearly our determination not to be deflected by Dixons from our retailing strategies."

Reuters set for growth

THE CURRENT year was shaping up as another year of excellent revenue and profit growth for Reuters Holdings, Sir Christopher Hogg, the company's chairman, told shareholders at yesterday's annual meeting.

He hoped the Government would abandon the 5 per cent stamp duty on American Depositary Receipts (ADRs) proposed in the UK Budget.

"If applied, this tax would make US acquisitions in exchange for shares more expensive for Reuters and impose an unwelcome and unwarranted penalty on our expansion in North America," he said.

"It would also be unfair to US shareholders, who have become keen supporters of Reuters, and at variance with free market principles. It would be most inopportune at a time when securities trading is poised to develop internationally to the benefit of investors on both sides of the Atlantic and around the world. We sincerely hope that this initiative will be abandoned."

Reuters revenue and profits, he said, had continued to grow in line with targets this year so far.

He added: "The level of new business booked has been excellent and all our major products are doing very well. New business in Europe is outstanding and North American sales have made good progress."

Thomas Warrington

Thomas Warrington & Sons, engaged in building and public works contracting, incurred a pre-tax loss of £732,000 for 1985, against £48,000. Turnover was £13.95m (£13m).

There is a solitary nominal final dividend of 1p, which compares with the 2.25p payment and 4p total in 1984.

Hillsdown buys more Berisford

BY LIONEL BARBER

Hillsdown Holdings, the food and furniture manufacturer, which has launched a £488m bid for S. and W. Berisford, the commodity trader, has raised its stake in Berisford to just under 12 per cent.

Kleinwort Benson, acting in concert with Hillsdown, bought 1m shares at 242p per share. It is believed to have bought more shares yesterday. Along with a 9 per cent statke pledged by Barclays Merchant Bank, acting on behalf of Ferruzzi, the Italian food and agricultural group, Hillsdown now speaks for about 21 per cent of Berisford.

Hillsdown is offering nine shares for every 11 in Berisford. On the basis of last night's closing prices for Hillsdown, up 16p to 311p, the offer values Berisford, up 3p to 248p, at 254p per share. Tate and Lyle, the sugar refiner, which has signalled its intention to bid for Berisford providing a management buy-out for the commodity trading business can be achieved in the next fortnight, closed at 643p, up 5p.

J. O. Walker

J. O. Walker, timber importer, returned to the black in the second half of 1985 and achieved a £168,423 taxable profit for the year.

The result, attained on turnover of £11.89m (£11.18m), compares with the £415,786 profit earned in 1984. Earnings per share were 14.8p (32.7p).

A lower final dividend of 3p (3.5p) is being paid, which reduces the total from 5p to 4p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
British Assets 2nd int.	0.48	—	0.44*	—	1.78*
Chepstow Racecourse	1	—	1	1	1
Clayton	5.5	—	5	7	6
Fleming Universal	4	July 29	6	6	8
Geers Gross	1.5	July 11	2	3	4
Home Counties	5.5	June 16	4.75	7	7
Huntleigh Tech.	1‡	—	—	1.5	—
Southend Stadium	0.56	Aug. 2	0.55	0.56	0.55
Sunlight Service	7.45†	June 18	6.67	9	8.05
Systems Reliability	3.5	July 10	2.88	5	4.2
Towles	2.9	—	2.9	2.9	2.9
J. O. Walker	3	July 7	3.5	4	5
Thos. Warrington	1	—	2.25	1	4

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

Downturn at Geers Gross and payout cut

LOWER pre-tax profits, down from £1.83m to £813,000, are reported by Geers Gross, advertising agent and consultant, for 1985. The directors say it was a year of retrenchment for the group, and top management has been restructured.

Although the savings are not reflected in the year-end results, staffing has been cut and fixed overheads were reduced. Mr R. Gross, the chairman, says that although New York continues to be the predominant feature in the group's turnover, business in both London and New York has been consolidated to form a firm base for future growth.

The final dividend is cut from 2p to 1.5p net for a total down from 4p to 3p, and stated earnings per 10p share fell from 9.4p to 3.8p.

Group turnover for the year rose from £121.98m to £129.11m. Tax was considerably lower at £249,000 compared with £577,000. There were extraordinary debits of £88,000 against £853,000.

In his interim statement in November, the chairman said the merger between Geers Gross West with Speers Gross Advertising had been completed. And although that action would not affect 1985 results, it was expected to provide considerable benefit in the future.

● comment

In many ways Geers Gross fulfils the City's worst fears about the advertising sector. In 1985 the agency lurched from crisis to crisis. The managing director sold his shares between the annual results and the announcement of sharply reduced profits at the AGM, the annual report showed that directors' emoluments were greater than shareholders' dividends; and both the US and UK agencies lost a string of important accounts. It is a measure of the City's disillusion with the agency that this set of results was greeted with relief. Geers Gross's shares rose by 2p yesterday to 74p. The directors have done their best to convince the City that they are getting to grips with the problems. The management structure of the US agency has been overhauled and the same process is about to begin in the UK. Although the move to new premises will produce a short term increase in costs for the London agency, overall overheads will be reduced by 10 per cent. Advertising is an ephermeral industry and agencies find it difficult to recover from a losing streak. The City is pessimistic about profit projections for 1986 and favours just over £1m and a p/e of 16, which has little hope of recovery now that the bid rumours have receded.

P & O lifts stake in Stock Conversion

Peninsular and Oriental Steam Navigation moved quickly yesterday to raise its shareholding in Stock Conversion, the property group for which it has launched a £377m takeover bid.

P & O began its fight for control of Stock Conversion on Thursday by announcing that it had agreed to purchase a 26.5 per cent stake held by Stockley, another property company.

Yesterday, the shipping and property group said that an associate company had purchased 1.8m ordinary shares in Stock Conversion—amounting to 3.44 per cent of the company's equity—at prices of between 700p and 712p. The deferred stock offer terms of the bid valued Stock Conversion shares at 720p each, and there was a cash alternative of 676p.

Henry Ansbacher, the merchant bank, also announced yesterday that, together with non-discretionary clients, it intended (in the absence of a third-party bid) to accept the P & O offer. Yesterday's moves mean that P & O has, by last night, secured 37.26 per cent of Stock Conversion's ordinary shares.

Berkeley Hay Hill

WITH improvements being seen in both property development and contracting and property invesment Berkeley and Hay Hill Investments reported taxable profits of £535,000 for 1985 against losses of £192,000 previously.

The result was achieved on turnover up from £2.71m to £3.24m and followed the move into profits in the first half.

After tax of £53,000 (£13,000 credit) and extraordinary debits of £332,000 (£329,000 credit), earnings per 10p share for this USM-quoted company came out at 0.56p (0.19p loss).

At the annual meeting it is proposed that the chairman, Mr R. J. Henstock will be replaced by Mr D. Fitzgerald, who will also become chief executive. Mr Henstock will remain on the board.

Rotaflex

Rotaflex, the lighting products group facing a hostile £31m bid from Emess Lighting, has appointed S. G. Warburg as financial advisers.

Stanelco placing

Stanelco intends to raise about £1m by a private placing of 2.4m ordinary shares at a proposed price of 43p each.

INTERNATIONAL COMPANIES and FINANCE

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1986 High	1986 Low	Stock	Closing price p	+ or -
60	Nil	30/5	17pm	9pm	Aquascutum A 5p	9pm	...
250	F.P.	30/5	320	265	Assoc. Newspapers	265	-10
30	Nil	30/5	12pm	9pm	Bensons Crisps 10p	9pm	...
140	F.P.	12/5	173	156	Crest Nicholson 10p	166	+5
235	Nil	—	35pm	20pm	EIS	20pm	-8
370	Nil	13/6	88pm	32pm	Grattan	32pm	-8
207	F.P.	23/5	259	229	Greycoat (10p)	242	-8
150	F.P.	9/5	218	208	Heywood Williams	212	...
fr.82	F.P.	6/5	121	106	Jacobs (W.R.)	120	...
730	Nil	23/5	77pm	35pm	Lon. & Manchester Grp	35pm	-15
83	F.P.	2/5	100	90	Martin (A.) 20p	90	...
63	F.P.	23/5	73	69	Pentos	69	...
265	Nil	13/5	40pm	35pm	Share Drug 10p	40pm	...
175	Nil	30/5	40pm	24pm	Turner & Newall £1	31pm	-2
70	F.P.	—	155	118	WSL 5p	145	-10
425	F.P.	2/5	581	561	Wolseley	570	...

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. t Indicated dividends: cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▮ Allotment price. ✱ Unlisted securities market. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (e).

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
B.P. (*536)	500	55	65	83	8	18	22
	550	26	42	53	30	43	52
	600	9	18	—	68	72	—

[illegible]

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
P. & O. (*538)	420	123	143	—	1	2	—
	460	83	103	118	1	4	8
	500	45	68	90	4	10	22
	550	13	35	55	20	30	45

[illegible]

Adler deal 'a critical' W. German cartel case

By Jonathan Carr in Frankfurt

THE WEST German cartel office believes the proposed takeover of Triumph-Adler, the office equipment subsidiary of Volkswagen (VW), by Olivetti of Italy, could be a "fairly critical case" and may not decide whether to approve the deal until September.

This emerged after preliminary talks yesterday between representatives of the cartel office and VW. It is understood that the official notification by VW and Olivetti of the proposed takeover is likely to reach the office sometime next week.

After that, the cartel authorities have four months to investigate before pronouncing on the deal, and indications are that this period will probably be used to the full.

It is pointed out that, according to figures currently available, Triumph-Adler has about 30 per cent of the West German electronic typewriter market and Olivetti about another 10 per cent.

The question facing the cartel office is whether these shares give the two companies together an unacceptably strong position in the domestic market, even allowing for the argument that Europeans need to co-operate in the face of competition from Japan.

The problem is believed to arise only in the electronic typewrite rsector and not in other fields of Triumph-Adler-Olivetti activity—for example personal computers.

It was announced earlier this week that Olivetti was taking over VW's 98 per cent in Triumph-Adler and that VW was taking a 5 per cent holding in Olivetti.

Hong Kong tribunal censures Li Kashing

BY DAVID DODWELL IN HONG KONG

MR LI KASHING, one of Hong Kong's wealthiest and most widely known businessmen, was yesterday censured with seven other executives for culpable insider dealing in connection with share trading in International City Holding, local property group, between January and June 1984.

Censure came from the Hong Kong Insider Dealing Tribunal. The 16-month inquiry was concluded yesterday with the publication of a weighty report on share dealing linked with an abortive HK$900m (US$115.8m) property deal between ICH and Everbright, the Peking-linked group headed by Mr Wang Guangying, one of China's leading "red capitalists."

Mr Wang was criticised for allowing the "true character of the negotiations, and then the transaction itself, to be misrepresented fundamentally to the Hong Kong public."

Censure is the severest "punishment" available to the tribunal, though companies employing offenders are expected to "have regard" to tribunal reports. Further action against Mr Li is not expected.

Mr Justice Philip Clough, who headed the ICH tribunal, complained of a "lamentable general ignorance" in Hong Kong about regulations on insider dealing. He said there was no sign of awareness in companies investigated about provisions for "Chinese Walls" to be set up to keep price sensitive information away from directors or executives who deal in shares on the company's behalf.

The judge called for new procedures to streamline future tribunal inquiries, and said the work of the tribunal would have more credibility if hearings were held in public. Only one tribunal has previously been convened. After a two-year investigation, its findings were inconclusive.

The tribunal reports at a time when the Hong Kong Government is trying to improve supervision of Hong Kong's stock market, including fulled disclosure of shared calings by directors of loal companies. The laxity of existing legislation is seen as damaging to the international credibility of dealings on Hong Kong's stock market.

The inquiry mainly focused on dealings in ICH shares in January 1984, and in June of the same year. In January Mr Li Kashing, who had a controlling interest in ICH through Cheung Kong, his master company, announced the sale for HK$900m of eight blocks of residential property to a company controlled by Mr Wang's Everbright.

At the time, Hong Kong's stock market, and the property market in particular, were deeply depressed by uncertainties arising from the secret Sino-British negotiations over Hong Kong's future after 1997. News of such a major property purchase by a powerful Peking-linked company lifted the stock market, and ICH's share price in particular.

At the end of June, Mr Wang Guangying backed out of the deal, revealing the existence of a "break clause" which entitled him to the return of Everbright's deposit, plus interest. News of the collapse of the deal swept ICH shares down to about 36 cents in July.

The tribunal concluded that, had the market been aware in January of this break clause, ICH's share price would not have soared as high as it did. The report said the price of ICH shares "had been stimulated, with Wang's acquiescence, by misleading reports."

The tribunal concluded that a company called Starpeace, controlled by Mr Li, had been guilty of culpable insider dealing when it sold almost 58 ICH shares in the period i vestigated. It found that M Chow Chin-Wo, a director ICH and Starpeace, and fina cial controller of Cheung Kon was the executive directly i volved in culpable insider de ing.

Mr Li "demonstrably f relevant information" to M Chow, the tribunal sai Instead, it should have been h duty to prevent him from de ing in ICH shares.

The tribunal criticised M Li for being aware that deta of the ICH deal were being m represented in the press, b doing nothing to correct th misunderstanding.

Mr Li and Mr Chow we found to have a high level culpability. Other Cheu Kong executives to be fou guilty of culpable insider de ing were Mr George Zang, M George Magnus, and Mr Albe Chow.

First-quarter operating earnings doubled at Aetna

BY PAUL TAYLOR IN NEW YORK

AETNA LIFE Casualty, the biggest shareholder-owned insurance company in the US, said its first-quarter operating earnings more than doubled to $141m or $1.21 a share from $57m or 51 cents a share in the year-ago period.

The earnings surge reflects the continued recovery of the US insurance sector. Mr James Lynn, chairman, noted: "All divisions of the company reported better operating results." However, he cautioned, "substantial further improvement will be necessary to recover from the impact of the severe down cycle in the casualty-property business."

In the latest period realised net capital gains of $71m and a $38m tax credit made final net earnings $250m or $2.20 a share—almost five times net earnings in the year-ago period. In the 1985 first quarter a $1m realised capital loss resulted in final net earnings of $56m or 50 cents a share.

Aetna is the latest in a string of major US insurance groups to post buoyant first quarter net earnings and dramatic year-on-year operating gains. The earnings rebound reflects firmer policy prices and a substantial improvement in underwriting loss ratios. A big jump in portfolio investment gains reflects the impact the recent equity and bond market rallies.

The company said that higher premiums and stricter standards for underwriting were major factors in the improved earnings. However, in a reference to much publicised insurance crisis in the US, it noted that this had created "availability problems" for insurance buyers.

Lafarge Coppee in National Gypsum move

By Our Financial Staff

LAFARGE COPPEE, the French cement and building materials group, plans to take between 10 per cent and 40 per cent of the holding company being formed to make a leveraged buyout of National Gypsum, the second biggest US plasterboard producer.

The move would represent an investment by Lafarge of at least $9m and possibly $36m. It is dependent on approval by the US authorities and on the acceptance by National Gypsum of the buyout approach, which coincides with a takeover approach from Wickes, a US building products group.

Under the deal Lafarge would issue some 4 per cent of its capital to National Gypsum. In exchange, Lafarge would acquire National Gypsum's 60 per cent interest in a French plaster producer, and take control of National Gypsum's distribution terminals in the Great Lakes region of the US.

National Gypsum and Lafarge have co-operated in the French plasterboard industry for the past 20 years, links that would be threatened if the Wickes takeover bid were to succeed. Lafarge also points out that it has North American units that fit in well with National Gypsum's operations.

National Gypsum's turnover last year totalled $1.34bn. At Lafarge, sales for 1985 were FFr 17.4bn ($2.5bn) from which the group staged an increase of more than half in net earnings to FFr 766m.

Cockerill Sambre expects more cuts after big loss

BY PAUL CHEESERIGHT IN BRUSSELS

FURTHER cuts at Cockerill Sambre, the state-owned Belgian steel producer, are in prospect after another year of heavy losses. A large deficit is projected for 1986.

There was a net loss in 1985 of BFr 6bn ($134m), Cockerill Sambre announced yesterday. The loss would have been BFr 7bn but for the sale of assets.

Although the European steel market, on which Cockerill depends for some 75 per cent of sales, was more stable last year than in 1984, when turnover rose by less than 1 per cent to BFr 80bn.

The market itself does not seem buoyant enough on its own to pull Cockerill Sambre into a better financial position.

The group is budgeting t year for a loss of BFr 4.5bn. It is said to have lost BFr 1.2 during the 1986 first quarter.

Cockerill's board is expec now to look for further eco mies. It had in any case plann to shed a further 1,700 peo from its payroll this ye largely through early reti ment. This would leave t number of employees at 14,5 compared with over 41,000 1974.

Although Cockerill Sambre taking the benefit of chea raw material costs in market place, the effects of restructuring program devised in 1983 have b slower in coming through th first estimated.

Vehicle side lifts Amer

BY OLLI VIRTANEN IN HELSINKI

AMER, the diversified Finnish industries group, has reported a 66 per cent increase in profit before extraordinary items to FM 68.2m ($14m) for the first six months of this year. Gross sales rose by 20 per cent to FM 2.4bn ($500m)

Extraordinary items, mainly sales of fixed assets, lifted net profit to FM 141m ($28m).

Amer's vehicle business, which includes imports of Finland's leading car ma Toyota, contributed most to t growth, with sales up 27 p cent. Vehicle business accou for over 50 per cent of t group's total sales.

Mr Heikki O. Salonen, cha man and chief executive, a cited the communications bu ness as well as paper mercha ing and converting as good p formers with 21 and 17 per c growth respectively.

Dassault family seeks to reclaim aircraft maker

FRANCE's Dassault family is seeking to buy back 9 per cent of the shares in the leading French aircraft manufacturer in a move which would effectively return the company from state to family control, Reuter reports from Paris.

Avions Marcel Dassault Breguet Aviation, a world leader in the production of fighter planes and best known for its Mirage jets, was brought under state control in 1981.

Mr Serge Dassault, son of Marcel Dassault, the aviation pioneer, who died last week, is now negotiating with France's new right-wing government to get the company back into family hands.

The state now holds 46 per cent of the shares, but a system of double voting rights for some of the shares give the Government a narrow voting majority.

Mr Dassault said he was also negotiating for an end to the system of double voting rights. He added, however, that no agreement had yet been reached.

UCB declines, pays more

BY OUR BRUSSELS CORRESPONDENT

UCB, the Belgian pharmaceuticals, chemicals and films group, failed to hold the pre-tax profits ground it gained during what it calls the "excellent year" of 1984.

Results for 1985, published yesterday, show that group pre-tax profits slipped to BFr 1.59bn ($35m) from BFr 1.6bn the year before. At the net level there was a marginal increase to BFr 1.37bn from BFr 1.36bn, largely as a result of funds coming in from fire insurance claims and from lower provisions than in previous years.

But UCB is raising its dividend payments. With a final on ordinary shares of BFr 130 net, the total payments for 1985 come to BFr 190 per share against BFr 175 for 1984.

Although the slip in pre-tax profits is partly explained by higher research and development costs and an increasingly heavy investment programme, market conditions turned against the company.

Competition intensified across the three main sectors of group activities. Pharmaceuticals were affected by the expiry of patents and the entry on the market of like products at lower prices.

Pernod ahead on 24% rise in turnover

By David Housego in Paris

PERNOD RICARD, the French spirits and soft drinks group, showed an 11.2 per cent rise in net profits last year to FFr 452m ($64m).

The increase was on the basis of a 24 per cent rise in turnover (excluding tax) to FFr 10.3bn. The sales increase, however, reflects the acquisitions made by the group — including La Société des Vins de France, the French wine group, and Ramazzotti, the Italian distributor.

French wine and liquor sales now account for 46 per cent of group turnover with non-alcoholic drink sales in France accounting for a further 30 per cent. Only 24 per cent of group turnover now comes from abroad.

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 27,494.

A=Ask B=Bid C=Call P=Put

WORLD STOCK MARKETS

WALL STREET

Technology issues again rise

STOCKS EDGED lower on Wall Street yesterday, although Technology issues were again strong.

After opening 5.21 up at 1836.93, the Dow Jones Industrial Average dipped to 1822.79 by mid-day, for a loss of 8.93 on the day and 17.61 on the week, while the NYSE Market Value shed 8 cents to \$139.38, making a loss of 49 cents on the week. Declines led advances by a seven-to-six majority in a volume of 92.9m shares.

Concern that weakness of the dollar may undercut further interest rate relief kept the market on the defensive, although yesterday's stronger Bond market forestalled a bigger drop.

Two Blue Chip stocks accounted for much of the earlier gain, with IBM up \$2½ to \$159¾ and General Electric \$1¾ to \$80. GE said it would acquire Kidder Peabody, the Wall Street firm.

Technology issues were outperforming the market, analysts noted. A rumour that IBM would buy back shares accounted for some of the strength, traders said. IBM had no comment.

National Semiconductor advanced \$⅜ to \$15⅜. The Commerce Department Thursday ruled that Japan was dumping computer chips on the US market.

THE AMERICAN SE Market Value index rose 0.21 to 273.34, reducing its loss on the week to 0.43. Volume 9.2m shares.

CANADA

Moderate gains in active trading as stronger Industrials pulled the Stock Market higher by mid-day.

Closing prices, for North America were not available for this edition.

The Toronto Composite index added 8.2 at 3133.3 and Golds put on 13.4 to 3955.7, but Oil and Gas shed 2.7 to 2645.5.

Dofasco slipped \$¼ to \$31¼ after reporting first quarter earnings of 53 cents a share from 77 cents.

Algoma Steel eased \$⅛ to \$17⅜ on a first quarter share loss of \$1.39 against 48 cents in the previous year.

Canadian Marconi firmed \$⅛ to \$26⅛ — it was awarded a US\$10m contract with a potential value of \$240m to supply radio equipment to GTE Corp.

Ocean Drilling and Exploration led actives, down \$1¼ to \$11 on 1.5m shares.

Capital Cities were lifted \$3¾ to \$229, after reporting a small profit instead of a widely expected loss in the first quarter.

TOKYO

Share prices rose slightly in moderately active trading, led by Export-related issues.

The Nikkei Dow Market average gained 7.83 to 15,689.88. Turnover 570m (530m) shares.

The SE index gained 2.10 to 1,245.11 and the second section firmed on volume of 20m (22m) shares.

Brokers said there was little fresh news to influence individual shares, and foreign exchange movements were the dominant factor in determining the market trend. Recently established Investment Trusts and Mutual Funds were heavy buyers of Blue Chips.

Expectations of an upturn in the market for semi Conductors also helped boost High Tech issues. NEC climbed Y110 to 1,630 and Matsushita Y110 to 1,660.

HONG KONG

Share prices rose strongly, lifting the Hang Seng index to a record high, and providing a buoyant setting for the public offering of Cathay Pacific shares, which closes on Tuesday next week.

The Hang Seng index gained 10.11 to 1834.62, more than 7 points above the previous record high of 1826.84 set January 9 this year. Turnover reached HK\$713m, the highest trading volume recorded in a single day since February 1, 1985.

Operators said predictions of where share prices are headed have been clouded by the Cathay flotation, which is the biggest ever mounted in Hong Kong.

The offer of shares worth HK\$1.5bn is expected to be heavily oversubscribed. Local banks have been forced to make special provisions for funds to be made available for loans to prospective investors in Cathay shares. Strong overseas interest in the flotation has also been noted.

The Stock Market has been buoyed by improved export figures, and by news of plans by Jardine Matheson to dilute its holding in Hongkong Land to about 29 per cent, from the current level of just over 35 per cent. It is raising US\$150m through the move.

The Hang Seng index has risen by 14 per cent in five weeks, and is now 225 points above the year's low point of 1607.

SINGAPORE

Lower across the board in thin trading.

The Straits Times Industrial index lost 3.59 to 570.60 and the SE All Share index 0.61 to 208.60. Volume 7.1m (7.2m) shares.

Brokers said investors will continue to remain on the sidelines because of several bearish factors, including a sluggish local economy, poor corporate results and problems on forward contracts, overhanging the market.

Heavy selling in Dah Yung, a smallish gas-manufacturer which was the most actively traded issue, appeared to stem partially from banks forced-selling clients — overextended margin accounts, a broker said — some 1.1m shares, or nearly 11 per cent of the company's capital, changed hands as the stock plunged 12.5 cents to 20.5 cents.

GERMANY

Mixed in a quiet session, as the earlier firmer undertone fell away in the face of pre-weekend position squaring, and uncertainty over the market's near-term direction.

Dealers said few operators were willing to start buying just ahead of the weekend on strong domestic fundamentals, especially after a week of almost continuous profit-taking.

AMSTERDAM

Dutch shares closed mainly higher as the market cautiously regained confidence, helped by the halt in price falls on Wall Street.

The rise in bond prices, after recent declines was also cited as a factor. Advances led declines by around two-to-one, but movements in Dutch multinationals were more mixed, and corporate news continued to affect individual shares.

Hoogovens, among the biggest losers, moved down Fls 3.20 to 111.20 on profit-taking despite an optimistic profit forecast this year. Unilever rose Fls 2 to 433, but Royal Dutch fell Fls 3 to 194.00 after oil prices eased overnight.

SWITZERLAND

Domestic stocks closed higher supported by steady overnight New York close and by the firmer dollar yesterday.

Dealers said the downward move of the previous two sessions was obviously finished and prices had now a fairly broad range to go up. Foreign investors, which had led the sellers before, brought fresh demand in the market. Turnover was "quite high," dealers added.

Transports were led by the Swissair bearer, which rose SFr 70 to 1,950.

STOCKHOLM

Lower in lacklustre trading with many institutional investors absent.

The Government's supplementary budget, which was presented yesterday, failed to move a relatively dull market. The Finance Minister said, however, the Government was committed to lifting restrictions on purchases of foreign shares by Swedish investors.

Volvo, off Kr 3 at 396, said its bid for Sonesson had succeeded after it was accepted by shareholders representing more than 90 per cent of the stock.

NEW YORK

NEW YORK INDICES

CANADA

NEW YORK ACTIVE STOCKS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

HONG KONG

JAPAN

SINGAPORE

SOUTH AFRICA

** Saturday April 19: Japan Nikkei 15,826.6. TSE 1,256.41.

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended, xd Ex dividend. xc Ex scrip issue, xr Ex rights. xa Ex all. * Price in Danish Kroner.

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CURRENCIES and MONEY

FOREIGN EXCHANGES

Dollar loses ground

The dollar lost ground during yesterday afternoon, having spent most of the morning within a narrow range. Trading through the week had shown an increased reluctance to push the dollar weaker in the face of mounting speculation that central banks would act to arrest the decline. This with hindsight was not particularly likely but there was still a reluctance to push the dollar down further without some fresh impetus.

However a lack of interest towards the end of the week resulted in fundamental bearish factors asserting themselves and the dollar was marked down in rather thin trading. The pace of change in interest rates worldwide called for some measure of consolidation but underlying factors still tended to point towards a lower dollar. The US unit touched a high of DM 2.2140 against the D-mark but closed at DM 2.1310 down from 2.1990 on Thursday. It was also lower against the yen at Y166.15 from Y168.75 and SFr 1.8215 compared with SFr 1.8385. Against the French franc it slipped to FFr 6.9475 from FFr 7.0150. On Bank of England figures, the dollar's exchange rate index fell from 114.6 to 114.1.

Sterling closed at its worst level of the day. Its exchange rate index opened at 76.6 and declined steadily to finish at 75.9 down from 76.4 on Thursday. Yesterday's UK trade figures were a great disappointment with a record visible trade deficit of £1.14bn and an estimated current account deficit of £536m after a surplus in February of £252m. The pound held steady against the dollar at $1.5380 from $1.5355 but the weakness of the US unit meant that sterling declined to DM 3.3550 from DM 3.3775 and Y258.50 from Y259.25. Elsewhere it slipped to SFr 2.8025 from SFr 2.8225 and FFr 10.6650 compared with FFr 10.77.

£ IN NEW YORK

April 25	Latest	Prev. close
£ Spot	$1.5485-1.5495	$1.5385-1.5395
1 month	0.48-0.45pm	0.49-0.47pm
3 months	1.28-1.23pm	1.27-1.25pm
12 months	3.70-3.60pm	3.65-3.60pm

Forward premiums and discounts apply to the U.S. dollar

STERLING INDEX

	April 25	Previous
8.30 am	76.6	76.3
9.00 am	76.6	76.4
10.00 am	76.5	76.4
11.00 am	76.4	76.4
Noon	76.4	76.3
1.00 pm	76.4	76.4
2.00 pm	76.2	76.3
3.00 pm	76.1	76.4
4.00 pm	75.9	76.4

POUND SPOT—FORWARD AGAINST POUND

April 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5245-1.5385	1.5375-1.5385	0.49-0.46c pm	3.71	1.27-1.22pm	3.24
[illegible]						

Belgian rate is for convertible francs. Financial franc 69.60-69.70. Six-month forward dollar 2.20-2.15c pm, 12-month 3.73-3.58c pm.

OTHER CURRENCIES

[illegible]

* Selling rate.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

April 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5245-1.5385	1.5375-1.5385	0.49-0.46c pm	3.71	1.27-1.22pm	3.24
[illegible]						

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 45.25-45.30.

CURRENCY RATES

April 25	Bank rate %	Special Drawing Rights*	European Currency Unit
[illegible]			

* SDR rates are for April 24.

EURO-CURRENCY INTEREST RATES

April 25	Short term	7 Days notice	Month	Three Months	Six Months	One Year
[illegible]						

Long-term Eurodollars: two years 7⅞-7⅞ per cent; three years 7⅞-7⅞ per cent; four years 7⅞-8 per cent; five years 8⅛-8¼ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

CURRENCY MOVEMENTS

April 25	Bank of England Index	Morgan* Guaranty Change %
Sterling	75.9	-15.1
U.S. dollar	114.1	+5.9
Canadian dollar	78.1	-12.4
Austrian schilling	127.0	+7.5
Belgian franc	96.0	-7.3
Danish Krone	86.6	-1.3
Deutsche mark	136.1	+14.6
Swiss franc	151.6	+15.6
Guilder	125.3	+9.1
French franc	69.6	-15.3
Lira	46.6	-17.8
Yen	201.6	+48.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

* Morgan Guaranty rates are for April 24.

EXCHANGE CROSS RATES

Apr. 25	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
H Fl.	0.264	0.406	0.886	68.25	2.821	0.740	1.	608.4	0.562	18.09
Lira	0.434	0.667	1.456	112.2	4.637	1.216	1.644	1000.	0.924	29.72
C $	0.470	0.722	1.575	121.4	5.018	1.316	1.779	1082.	1.	32.17
B Fr.	1.460	2.245	4.898	377.4	15.60	4.091	5.529	3364.	3.109	100.

Yen per 1,000; French Fr per 10; Lire per 1,000; Belg Fr per 100.

MONEY MARKETS

Longer rates slightly firmer

Interest rates were slightly firmer at the longer end of the money market yesterday while short term rates showed little change. Trading was a little quieter with the market still displaying hopes of an early cut in clearing bank base rates. While sentiment remained bullish, there was a growing feeling that the time span involved would now be longer than originally hoped for. Yesterday's UK trade figures were much worse than expected while bank lending is expected to show a sharp rise.

Three-month interbank money was quoted at 10$\frac{1}{16}$-10$\frac{1}{16}$ per cent unchanged from Thursday while the six month rate rose to 9⅞-10$\frac{1}{16}$ per cent from 9$\frac{13}{16}$-9$\frac{11}{16}$ per cent. Weekend interbank money opened at 11¼-11⅜ per cent and touched 11½ per cent before easing to 8 per cent. Late balances were taken nearer 10 per cent.

UK clearing banks base lending rate 10½ per cent Since April 21

The Bank of England forecast a shortage of around £850m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £662m and a rise in the note circulation of £285m. In addition banks brought forward balances £50m below target. These were partly offset by Exchequer transactions which added £145m.

The forecast was revised once more, this time to a shortage of around £800m before taking into account the earlier help and the Bank gave additional assistance in the afternoon of £386m, comprising purchases of £64m of Treasury bills and £32m of local authority bills in band 2 at 10$\frac{7}{16}$ per cent and £290m of eligible banks bills in band 2 at 10$\frac{7}{16}$ per cent. Late help came to £50m, making a total of £842m.

The Bank revised its forecast to a shortage of around £750m and gave assistance in the morning of £406m. This comprised purchases of £1m of Treasury bills and £1m of eligible bank bills in band 1 at 10½ per cent and £339m of eligible bank bills in band 2 at 10$\frac{7}{16}$ per cent. In band 3 it bought £63m of eligible bank bills at 10½ per cent and £2m in band 4 at 10$\frac{7}{16}$ per cent.

The average rate of discount at the weekly Treasury bill tender rose by 0.2439 per cent to 9.8470 per cent. The £100m of bills on offer attracted bids of £407m and all bills offered were alloted. The minimum accepted bid was £97.545 and above in full. Next week a further £100m will be on offer, replacing a similar amount of maturities.

FT LONDON INTERBANK FIXING

(11.00 a.m. April 25)

Three months US dollars		Six months US dollars	
bid 6 $\frac{11}{16}$	Offer 6 $\frac{13}{16}$	bid 6 $\frac{11}{16}$	Offer 6 $\frac{13}{16}$

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

April 25	Ov'r-night	One Month	Two Months	Three Months	Six Months	Lombard Inter'n
Frankfurt	4.90-5.10	[illegible]				
Paris	8⅛	[illegible]				
Zurich	⅞-1⅛	[illegible]				
Amsterdam	5⅝-5¾	[illegible]				
Tokyo	4.40625	[illegible]				
Milan	14⅛-14½	[illegible]				
Brussels	9.25	[illegible]				
Dublin	11¾-12	[illegible]				

LONDON MONEY RATES

April 25	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	8-11½	[illegible]				
Sterling CDs	—	[illegible]				
Local Authority Depos	10⅞-11	[illegible]				
Local Author'y Bonds	—	[illegible]				
Discount Mkt Depos.	9-10	[illegible]				
Company Depos.	10-11	[illegible]				
Finance House Depos	—	[illegible]				
Treasury Bills (Buy)	—	[illegible]				
Bank Bills (Buy)	—	[illegible]				
Fine Trade Bills (Buy)	—	[illegible]				
Dollar CDs	—	[illegible]				
SDR Linked Depos.	—	[illegible]				
ECU Depos.	—	[illegible]				

Treasury Bills (sell): one-month 10⅛ per cent; three-months 9⅞ per cent. Bank Bills (sell): one-month 10$\frac{7}{16}$ per cent; three-months 10-10⅛ per cent. Treasury Bills: Average tender rate of discount 9.8470 per cent. ECGD Fixed Finance Scheme IV reference date March 5 to April 1 (inclusive): 11.677 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ per cent from April 1 1986. Bank Deposit Rate for sums at seven days' notice 5¾ per cent. Certificates of Tax Deposits (Series 6): Deposit £100,000 and over held under one month 10½ per cent; one-three months 10 per cent; three-six months 9¾ per cent; six-nine months 9½ per cent; nine-12 months 9¼ per cent. Under £100,000 9¼ per cent from April 21. Deposits held under Series 5 9¼ per cent. Deposits withdrawn for cash 6 per cent.

COMMODITIES AND AGRICULTURE

REVIEW OF THE WEEK

Cocoa price nears three-year low

BY RICHARD MOONEY

THE PRICE slide which has been the main feature of the cocoa market this year resumed this week as producing countries, evidently tired of waiting for a rally, decided to accept the low returns they have been resisting in recent weeks.

A bearish supply/demand balance, coupled with the failure of producing and consuming countries to agree a price-supporting International Cocoa Agreement, had resulted in nearby futures values on the London market losing around £400 during the first quarter of the year. Producer selling then dried up encouraging a rise in prices that lifted the July futures position to £1,450 a tonne on Tuesday—the highest level for nearly five weeks. But then the sellers returned and prices plunged to the lowest level for nearly three years.

By last night's close July cocoa was quoted at £1,334 a tonne showing a net loss on the week of £82.50.

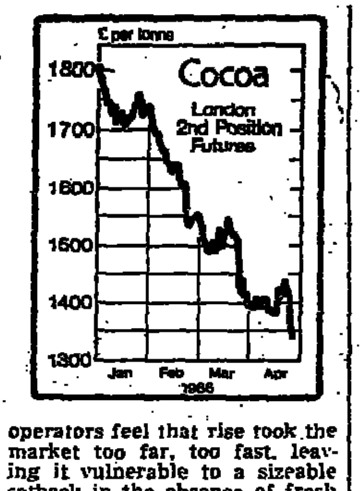
Dealers said the fall was triggered by reports that the Ivory Coast, the world's biggest cocoa producing country, had sold 10,000 tonnes of low quality current crop cocoa. And this was backed up by news of new crop sales by other west African producers, notably Ghana and Cameroun.

The International Cocoa Organisation's revised estimate this week, cutting the projected world surplus for 1985-1986 to 24,000 tonnes from 62,000 tonnes previously, seems to have cut little ice with cocoa analysts, who still see the current supply/demand balance as "top-heavy." Further downward pressure on the market has been provided by the dollar's continued slide against the pound, which automatically reduces sterling-denominated prices.

The coffee market turned in a stronger performance with futures prices continuing their recovery from the 11-week lows reached early last week. But most of this week's modest advance was wiped out by yesterday's fall which trimmed £35 off the July position to leave it only £20 up on balance at £2,319 a tonne.

Dealers attributed yesterday's setback to the market's failure to break through a strong band of resistance between £2,350 and £2,380 a tonne (basis July) and added that sentiment was undermined by reports that good weather had improved crop prospects in the Brazilian State of Sao Paulo.

On the world sugar market prices continued to lack direction. The statistical position remains basically bullish but dealers are looking for some fresh impetus following the recent upsurge which boosted prices by around 80 per cent to the highest level for nearly six years. Many



operators feel that rise took the market too far, too fast, leaving it vulnerable to a sizeable setback in the absence of fresh bullish news.

On the London Metal Exchange the recent bearish sentiment persisted with further downward pressure being provided by sterling's gain against the dollar. In copper, where the higher grade quotation ended £20.50 down on the week at £931.50 a tonne—the lowest level (in sterling terms) since early December.

The only base metal to defy the general trend was aluminium which, in the cash position, held on to £3 of the £27.50 rise registered in the first half of the week. The early rise represented a continuation of last week's reaction against a previous heavy fall, but fresh speculative selling was attracted at the higher levels.

At £3 lead's fall on the week was relatively modest, but the £240.50 a tonne closing cash price was still the lowest for 10 years. Little significance was attached to the fact, however, as chartist participation in the lead market is negligible.

WEEKLY PRICE CHANGES

	Latest prices per tonne unless stated	Ch'nge on week	Year ago	1986 High	1986 Low
[illegible]					

† Unquoted. (g) Madagascar. (y) April-May. (v) May-June. (u) May. (z) June. (w) July.

INDICES

REUTERS

Apr. 24	April 23	M'th ago	Year ago
1783.7	1792.9	1839.8	1901.9

(Base: September 18 1931=100)

DOW JONES

Dow Jones	April 23	April 22	Month ago	Year ago
Spot	128.91	128.54	—	118.71
Fut.	124.87	124.81	—	118.81

(Base: December 31 1931=100)

ALUMINIUM

Official closing (am): Cash 758-8.5 (759-61), three months 754-5 (758-9), settlement 758.5 (761). Final Kerb close: 750-1.

[illegible]

Turnover: 23,525 tonnes.

COPPER

[illegible]

CATHODES

[illegible]

LEAD

[illegible]

NICKEL

[illegible]

Turnover: 480 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close 14.65 (14.69) ringgit per kg. Down 0.04 ringgit per kg.

GOLD

Gold rose just $½ an ounce from Thursday's close in the London bullion market yesterday to finish at $344¾-345¼. The metal opened at $344¾-

[illegible]

ZINC

[illegible]

SILVER

[illegible]

COCOA

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

LONDON DAILY PRICE—Raw sugar $199.50 (£130.00), up $1.50 (up £1.00) a tonne for April-May delivery. White sugar $217.50, up $1.00.

[illegible]

GRAINS

Business done—Wheat: May 117.50-6.30, July 116.90-5.90, Sept 100.95-100.20, Nov 103.75-3.20, Jan 107.00-6.10, Mar 109.65-9.45. Sales: 885 lots of 100 tonnes. Barley: May 112.00-1.75, Sept 98.20-7.90, Nov 101.45-1.10, Jan 104.70, Mar untraded. Sales: 166 lots of 100 tonnes.

[illegible]

COFFEE

[illegible]

OIL

[illegible]

CRUDE OIL—FOB ($ per barrel)—May

Arab Light	—	—
Arab Heavy	—	—
Dubai	9.45-9.65	—
Brent Blend	11.80-11.90	—0.75
W.T.I. (1pm est)	13.38-13.50	—0.65
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)

Premium gasoline	168-173	+3
Gas Oil	160-164	+1.5
Heavy fuel oil	65-67	—
Naphtha	126-130	—1.5

Petroleum Argus estimates

GAS OIL FUTURES

Month	Latest Close	+ or —	Business Done
	$ US per tonne		
May	147.25	-1.50	148.75-45.00
June	131.25	-4.25	133.00-28.00
July	126.25	-4.00	128.25-24.50
Aug	126.25	-3.75	127.75-24.75
Sep	127.50	-4.00	129.00-25.00
Oct	128.00	-4.00	129.00-27.00
Nov	129.75	-3.00	—

Turnover: 3,362 (3,772) lots of 100 tonnes.

POTATOES

The market continued nervous, opening £11.50 down, basis April, which triggered further stop-loss activity

US MARKETS

PRECIOUS METALS ended a featureless session mixed, with silver losing ground again to find recent support levels intact, reports Heinold Commodities. Platinum finished higher, recouping early losses on light commission house activity. Copper closed around unchanged, having unsuccessfully attempted a rally over significant resistance levels. A lack of fundamental impulses disappointed the market. Rumours of increased Ivory Coast offerings on European markets caused further heavy losses on the cocoa market. A decisive breakthrough of key support levels in London prompted considerable fund selling. Early sluggishness on sugar was eradicated by computer-based buying activity late in the session, as recent technical support levels found confirmation. Coffee attracted another burst of commission house and fund buying, with light trade interest triggering buying signals. Early gains on the oil markets were turned into losses, as recent strength suffered a setback following the failure of crude prices to breach important resistance levels.

NEW YORK

[illegible]

CHICAGO

[illegible]

MEAT

[illegible]

FREIGHT FUTURES

[illegible]

Turnover: 136 (180).

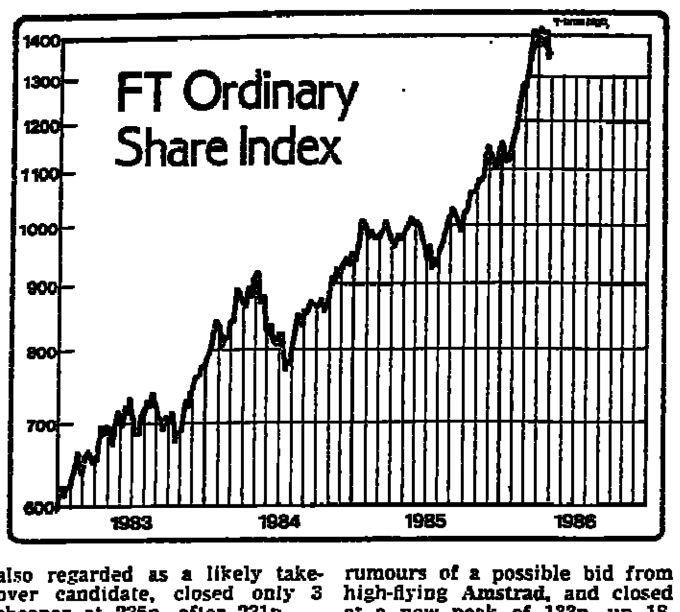
LONDON STOCK EXCHANGE

Late rally in blue chips but FT index 45.2 down on the week-Gilts unsettled

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Apr 14	Apr 24	Apr 25	May 6
Apr 28	May 8	May 9	May 19
May 12	May 29	May 30	June 9

* "New-time" dealings may take place from 9.30 am two business days earlier.



London financial markets were looking distinctly uncertain as the final day of the Stock Exchange trading Account drew to a close yesterday. Investors adopted a cautious attitude in view of the sharp fluctuations over the past fortnight which culminated in one of the biggest weekly falls — 45.2 — in the FT Ordinary share index.

The reaction took place against a big setback on Wall Street which reflected growing unease about the future course of interest rates following persistent weakness in the dollar. On the domestic front, disappointing first quarter figures from ICI played an important part in the change in sentiment. Against this backdrop, potential institutional buyers have been content to stay in the sidelines and many small investors were tempted to realise profits.

Dealers marked leading shares higher at the outset yesterday, but buyers continued to hold off and a gain of 15.2 in the FT Ordinary share index was gradually whittled away to one of only 0.5 at 3 pm. Buying for the new Account which is permitted without penalty after 3.30 pm prompted a late improvement and the index settled 9.9 higher on the day at 1357.9: over the past two weeks, however, it has fallen 53 points.

Technical factors tended to stifle business yesterday: three jobbing firms attempted to keep small positions as they wound down their books at the end of their financial year.

Despite the surrounding uncertainty, takeover speculation continued unabated: a further two bids were announced yesterday which brought the week's total to double figures.

Yet another sharp overnight setback in the US bond market made for an unsettled day's trading in Government securities. Longer-dated issues opened around ⅝ lower before recovering gradually to settle a fraction harder on balance. Short-dated stocks, however, fluctuated narrowly and finally showed falls of ⅛ and occasionally more.

Life issues dull

Life Insurances encountered end-Account offerings and closed lower throughout. **Prudential** fell 24 to 896p, after 890p, while **Britannic** lost 22 at 835p. **Refuge** dipped 8 at 370p and **Equity and Law** relinquished 7 at 238p. Composites, meanwhile, plotted an irregular course with **Royals** 15 down at 912p and **General Accident** 11 to the good at 873p.

Hambro Trust improved 3 to close the week with a gain of 45 at 338p following the bid from parent company, **Hambros**. The latter rallied to 261p initially, but reacted to end unaltered on the day but 62 down on the week at 253p as takeover hopes diminished. Elsewhere in the financial sector, **Standard Chartered**, a depressed market throughout the week following adverse comment on the Lloyds bid situation and, fading hopes of a counter offer, dropped to 803p before rallying to close a couple of pence dearer on balance at 812p, but still 61 lower over the 5-day period. The major clearers made modest progress with improvements of 7 and 8 respectively seen in **Lloyds**, 592p, and **Barclays**, 533p.

Allied-Lyons, still awaiting the outcome of its proposed purchase of Hiram Walker's liquor operations, responded to late demand and settled 8 dearer at 310p. Other leading Breweries closed above the day's lowest levels following occasional "cheap" buying after the official close. Regionals showed **Vaux** another 15 down for a two-day decline of 45 to 435p reflecting the liquidation of sizeable speculative positions. **Greene King**, also regarded as a likely takeover candidate, closed only 3 cheaper at 235p, after 231p.

Leading Buildings traded on a steadier note. **Blue Circle** edged up 4 to 665p ahead of next Tuesday's preliminary results, while **Tarmac**, which is scheduled to reveal annual figures on the same day, firmed 8 to 476p. **Barratt Developments** rallied 6 to 148p, but **George Wimpey**, a firm market on Thursday following satisfactory annual results, difted off to close 2 cheaper at 187p. **Henderson Group**, preliminary figures expected around the middle of next month, found support at 238p, up 8, but **AMEC** remained on offer and shed 6 more to 269p for a fall on the week of 25. Among Timbers, bid favourite **Magnet and Southerns** continued to trade actively and touched 182p prior to closing a net 2 dearer at 178p. **Meyer International** improved 4 to 241p.

After opening higher at 925p following comment on the first-quarter figures, **ICI** drifted back to 917p before late support on early Wall Street influences left the shares 6 better on balance at 920p. Among other Chemicals, **Laporte**, a dull market since the annual results, picked up 15 to 362p on buying for the dividend. Elsewhere, **Novo Industries B** shed 1¼ points to £19¾ following the board's profits warning. **British Benzol** slipped a penny to 80p; the price in yesterday's issue was incorrect.

M. Ford dip and rally

Martin Ford finished a traumatic week on an erratic note; shares in the loss-making ladies-wear retail chain, pesistently sold throughout the period following adverse comment in the weekend Press, dipped afresh to 62p yesterday but staged a smart rally to close a couple on pence dearer on balance at 72p — still down 33 on the week — after a statement from the company reiterating that talks regarding the recent bid approaches are still in progress. Rochdale Canal Company, an investment concern controlled by the Ziff family, has reduced its stake to below 5 per cent.

Other secondary Stores closed the Account on a subdued note. **Goldsmiths** provided a noteable exception, rising 10 to 212p, while occasional interest was evident for recently dull **S. Casket**, 3 up at 45p, **Cecil Gee**, 5 dearer at 105p, and **S. R. Gent**, finally 4 better at 68p.

Leading Retailers were volatile. A few pence firmer initially reflecting bear closing, quotations quickly gave ground amid nervous offerings. Sentiment improved after-hours, however, and **Woolworth** settled only 5 off on balance at 840p, after 815p, as the company, currently resisting a bid from **Dixons**, announced a £150m expansion and development programme. Dixons closed 10 lower at 352p, after 346p. **Marks and Spencer** reverted to unchanged at 213p, having dipped to 210p earlier, while **Harris Queensway** eased 2 to 266p, after 260p; both are scheduled to announce preliminary results during the new Account.

BSR were again a lively market among Electricals on rumours of a possible bid from high-flying **Amstrad**, and closed at a new peak of 133p, up 18. Amstrad cheapened 4 at 519p after 515p. **International Signal and Control** revived with an improvement of 30 at 298p, while **Unitech** put on 15 at 260p. Bid hopes resurfaced in **STC** and the close was 4 higher at 156p, while **Thorn EMI** ended 7 up at 499p and **BICC** 3 harder at 356p. **GEC** gained 2 to 192p as did **Plessey** to 234p.

Delta were well supported on BICC bid speculation and closed 10 to the good at 250p, after 258p. **Adwest** also reflected takeover hopes with a gain of 13 at 240p, while **Simon** ended 8 better at 268p. **AFV**, which jumped 205 on Thursday following the surprise share exchange bid from **Siebe**, advanced further to 575p following the Board's strong rejection before closing 5 easier on the session at 550p; Siebe hardened 5 at 590p. **Wadkin** fell 21 to 327p on selling ahead of Monday's preliminary figures and **Hopkinson** eased a few pence to 253p for the same reason. **Vickers** remained on offer among the Engineering leaders, losing 10 more for a decline of 50 on the week at 458p. **GKN**, on the other hand, reflected Press comment with an improvement of 6 at 341p.

Leading Foods featured **Rowntree Mackintosh** which gained 12 to 492p on revived overseas demand fuelled by takeover hopes. **Cadbury Schweppes**, the subject of US support on Thursday, added 2 more to 178p. Elsewhere, **S. and W. Berisford** edged up 3 to 248p following reports that Tate and Lyle is set to bid for the company within the next couple of weeks. **T and L** firmed 5 to 643p. **Hillsdown Holdings**, which has already tabled an offer for Berisford, attracted late demand on news that it had increased its holding to 11.26 per cent and closed 16 higher at 311p. Bid rumours continued to boost **Bejam** which firmed 5 more to 179p and **Hillards**, finally 7 higher at 245p. **Bio-Isolates** shed 2 to 18p following the poor annual results.

Boots wanted

Boots highlighted the miscellaneous industrial leaders, rising 7 afresh to 263p on continuing takeover speculation and fairly hectic traded option activity. **Pilkington** touched 440p before closing 10 better at 435p and **Reckitt and Colman** ended the same amount higher at 821p. Elsewhere, **Wedgwood** surged forward on bid hopes and finished 23 up at 343p, while **F. H. Tomkins** attracted revived support at 312p, up 22. **Associated Heat Services** advanced 30 more making a jump of a pound at 455p since Wednesday's news of the bid approach from Compagnie Generale de Chauffe. **Morgan Crucible** added 8 at 290p on the announcement that Bell Group of Perth now owns 8.9m shares in the company, while **Steetley** rose 8 to 471p following the chairman's encouraging address at the AGM. Speculative buying prompted a gain of 7 at 243p in **Thomas Jourdan** and **Hawley** firmed 4 to 140p in reply to Press comment. Old bid favourite **Christies International** remained popular and gained 17 afresh at 350p, while **Metal Closures** revived at 157p, up 6. Bid hopes in the wake of the poor results left **Falcon Industries** 3 up at 31p, but **CVD** of the US dropped 18 at 137p on news of a Californian factory accident. **Robert Moss**, at 133p, lost 6 of Thursday's rise of 42 which greeted news of the bid from Bunzl.

International Leisure continued to make good progress and moved up 5 more to 130p following an investment recommendation, while favourable Press comment prompted support for **GRA Group** which added 2 at 51p. Vague takeover rumours encouraged further demand for **Leisuretime International**, a like amount firmer at 101p.

Jaguar, dull recently following the withdrawal of US support, finished on a bright note at 456p, up 6 on the session; the annual meeting is scheduled for next Thursday. Components were generally subdued, although **FR** rose 12 to 370p on buying ahead of next Wednesday's annual figures. Distributors featured **Lex Service**, finally 21 up at 395p.

Publishers were dull. **Associated Newspapers** fell 10 to 265p, while news of the full-year deficit left **Home Counties Newspapers** 7 cheaper at 158p, after 153p. Among advertising agencies **Boase Massimi Pollitt** dipped 16 more to 314p — a decline of 41 since the preliminary figures were revealed on Tuesday. **Geers Gross** hardened a couple of pence to 74p despite the reduced annual results, while profit-taking left **Good Relations** a few pence cheaper at 165p.

USM-quoted **Chart Foulks Lynch** improved 30 to 120p, after 130p, following the agreed bid from **Cowan de Groot**, finally a penny to the good at 70p, after 73p.

Leading Properties opened on a brighter note, but subsequently drifted back on scrappy selling and in the absence of support. **Land Securities** settled 3 cheaper at 318p, while **Hammerson A** slipped 15 to 435p. **British Land** encountered rather more persistent offerings and reacted to 169p prior to closing 3 cheaper on balance at 172p. On the bid front, **Stock Conversion**, in receipt of an unwelcome offer from P & O, eased 8 to 702p; Henry Ansbacher, together with non-discretionary clients, hold 7.28 per cent of the SC equity and intend to accept P & O's offer in the absenceof a bid from a third party. **P & O**, 7 dearer at 543p now speak for around 37 per cent of the Stock Conversion equity. Elsewhere, **Abaco** revived strongly and gained 4½ to 56p, while **Marler Estates** rose 10 to 320p on takeover hopes. **Berkeley and Hay Hill** added ½ to 12½p following the results.

Tricentrol rally

Leading oils generally gave ground early in the session, reflecting the warning by Saudi Arabia's Sheikh Yamani that oil prices are set to fall again and also on news of the enforced settlement of the Norwegian oil workers strike. However, a modest late rally took most off the day's lowest levels. **BP** were a steady market despite the 26 per cent fall in net income announced by US subsidiary Sohio and edged up late to close 3 firmer at 538p. **Shell**, still unsettled by the recent poor results from Shell Oil, closed 3 cheaper at 750p. **Tricentrol** staged a good rally and picked up 5 to 50p. Secondary oils lost further ground with one or two exceptions. **Pict Petroleum**, a weak market over the week owing to adverse Press comment and a broker's "sell" recommendation, dipped 5 more to 28p — 22 lower over the five-day period. **Highland Participants** were a major casualty and dropped 10 more to 70p, compared with the 125p ruling at the end of last week.

Overseas Traders highlighted Mr Asil Nadir's **Polly Peck** which advanced 9 to 163p amid revived speculative demand; the interim results are expected next month. **Lonrho**, dull recently as takeover hopes faded, rallied a few pence to 362p. **Tozer Kemsley and Millbourn** eased 3 to 140p but retained a gain on the week of 17 reflecting hopes of a tidying-up bid from Mr Ron Brierley.

London-registered Financials provided the only bright spots in a generally depressed mining market. **Rio Tinto-Zinc** were outstanding and rallied strongly to close 23 higher at 692p following a hefty traded option business and buying for the new account. **Consolidated Gold Fields** rose 8 to 463p and **Hampton Areas** improved 7 to 112p, the latter in a thin market.

South African Gold and related issues continued their recent retreat and drifted throughout the session on general lack of interest. A steadier performance from the Financial Rand failed to produce any worthwhile support from Johannesburg while London and Continental interest remained at minimal levels. In the leading issues, losses ranged to £1½ as in **Randfontein**, £49½ and **Vaal Reefs**, £43¾ while **Winkelhaak** dipped ¾ to £10¼. Many of the lower priced stocks fell away to their lowest levels this year, including **Loraine**, 12 down at 238p, and **Stilfontein**, 10 off at 413p. The Gold Mines index retreated 7.6 more to 257.2 to show a week's fall of 14.5.

Lacking a lead from domestic stock markets "down-under" which were closed for the Anzac Day holiday, Australians moved narrowly in either direction. In Golds **Central Norseman** lost 10 to 358p while the leaders showed rises of a few pence common to **MIM Holdings**, 114p and **Western Mining**, 152p. Among the speculative issues **Samson Exploration** edged up 1½ to 7½p.

A lively week in Traded Options finished on a bright note. Total contracts transacted amounted to 20,078 — 13,555 calls and 6,523 puts.

Auditors for BR and LRT appointed

PRICE WATERHOUSE has been appointed external auditor to British Rail, replacing Peat Marwick Mitchell. KMG Thomson McLintock has been appointed external auditor to London Regional Transport, replacing Arthur Andersen.

The audit appointments are made for one year at a time and are part of a Government review of all external audit appointments for nationalised industries.

Metal Box plant to be closed

METAL BOX will close its printing plant on the South Liverpool industrial estate in south Liverpool in July with the loss of 49 jobs.

The company says the loss of a significant order and declining business led to the decision. A nearby Metal Box cartons and labels plant will not be affected.

The company has shed more than 2,000 jobs on Merseyside over the last five years mainly because of overcapacity and falling orders.

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (83)

AMERICANS (1) Colgate-Palmolive. CANADIANS (3) Massey-Ferguson, Seagram. BANKS (3) Banco de Bilbao SA, Brown Shipley, Mercury Intl. Sec. A Cnv. Pf. BUILDINGS (3) Cassminster, Ruberoid. CHEMICALS (2) Canning (W), Wolstenholme Rink. STORES (1) Goldsmiths Gp. ELECTRICALS (7) AB Electronic, BSR Intl, Grosvenor Group, Racal Electronics 7pc Cnv. [illegible] Shorrock, Thorne (F. W.). ENGINEERING (11) [illegible] Group, [illegible] (Wm.), [illegible] (S. W.) [illegible] (Sidney) [illegible] INDUSTRIALS (20) [illegible] Amber [illegible] Services [illegible] Elswick-Hopper, Hutchison Whampoa, Jourdan (T.), Midland Marts, Oakwood, [illegible] Southern Business Group, Steetley, Thermax, [illegible] Wembley [illegible] LEISURE (2) [illegible] MOTORS (1) Kenning Motor. PROPERTY (4) [illegible] TRUSTS (4) [illegible] OILS (1) [illegible] OVERSEAS TRADERS (1) [illegible] Strong and Fisher, TRUSTS (4) [illegible] Flemming Universal General Funds Cav., Moorgate Inv. Tst., Nesting Group.

NEW LOWS (61)

BRITISH FUNDS (4) Treas. 2pc IL '96, Do. 2½pc IL '01, Do. 2½pc IL '03, Do. 2pc IL '06. LOANS (2) Inv in Ind 7¼pc A 31-94, Do. 9pc A 91-94. AMERICANS (4) Damson Oil, Pennzoil, Rexnord, Sun Co. Inc. STORES (3) Hillards, Leisure, Underwoods. ELECTRICALS (2) Amer. Elect. Components, Security Tag Systems. FOODS (1) Meyther Cerals. INDUSTRIALS (2) Hollis, London and Manchester Group, Refuge Assce. LEISURE (5) Aspinall Hldgs., GRA, Media Tech Intl., Riley Leisure, Television Services. SOUTH AFRICANS (1) SASPL. OILS (8) Britoil, Clyde Petroleum, Enterprise Oil, Highland Parts., LASMO Ops. Orbit Oil, Pict Petroleum, Sun (UK) Royalty. OVERSEAS TRADERS (1) African Lakes. MINES (17).

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Apr 21	May 2	July 24	Aug 4
May 6	May 16	Aug 7	Aug 18
May 19	June 6	Aug 28	Sept 8

For rate indications see end of Unit Trust Service

Quiet conditions prevailed in Options. Calls were taken out in Wellcome, Pilkington, Sound Diffusion, Dixons, Southwest Resources, Combined Technologies, Sears, Oxford Instruments, Martin Ford, Tricentrol, Blacks Leisure, Berkeley and Hay Hill, STC and Free State Geduld. No puts or doubles were arranged.

RISES AND FALLS YESTERDAY

	Yesterday Rises	Yesterday Falls	Yesterday Same	On the week Rises	On the week Falls	On the week Same
British Funds	29	35	47	180	249	128
Corpns. Dom. and Foreign Bonds	7	10	55	64	79	217
Industrials	320	369	802	1,354	2,203	3,905
Financial and Props.	89	132	350	601	714	1,544
Oils	19	22	79	84	172	344
Plantations	0	4	14	7	10	58
Mines	21	60	98	121	275	501
Others	81	43	84	233	380	414
Totals	566	672	1,529	2,644	4,082	7,111

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Boots	263	+ 7	Marks and Spencer	213	—
Christies Intl.	350	+17	Prudential	896	−24
Courtaulds	245	− 8	Standard Chartered	812	+ 2
GKN	341	+ 6	Stock Conversion	702	− 8
GRE	913	− 5	Wellcome	191	+ 5
Hanson Trust	183	+ 3	Woolworth	840	− 5

THURSDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Thurs. close	Day's change	Stock	No. of changes	Thurs. close	Day's change
Beecham	30	426	− 7	Dupont	22	113	− 8
ICI	30	914	−15	Amersham	22	[illegible]	− 2
Standd. Chart.	28	810	− 2	Cable & Wire.	22	680	−20
Trusthse. Forte	27	169	− 8	Glaxo	22	976	−12
Land Securities	25	321	−11	Hambros	22	253	−12
STC	25	152	− 2	Grand Met.	21	376	−12

5-DAY ACTIVE STOCKS

Based on bargains over the five-day period ending Thursday

Stock	No. of changes	Thurs. close	Change on week	Stock	No. of changes	Thurs. close	Change on week
Cable & Wire.	133	680	−20	Dupont	107	113	− 5
Glaxo	123	975	−137	Standd. Chart.	106	810	−56
ICI	121	914	−43	Guinness	103	300	−15
Beecham	120	426	−15	Hambros	103	253	−62
Distillers	118	655	−22	Trusthse. Forte	96	169	− 7
Ford (Martin)	111	70	−30	RTZ	90	669	−54

LEADERS AND LAGGARDS

Percentage changes since December 31, 1985, based on Thursday, April 24, 1986

Metals and Metal Forming	+44.45	Consumer Group	+18.58
Motors	+37.03	Stores	+18.28
Electricals	+35.71	Industrial Group	+18.15
Textiles	+32.97	Financial Group	+17.84
Contracting, Construction	+29.41	Food Manufacturing	+17.70
Publishing and Printing	+27.14	Shipping and Transport	+17.22
Other Industrial Materials	+27.01	All-Share Index	+16.99
Merchant Banks	+26.98	500-Share Index	+16.39
Insurance (Composite)	+26.50	Investment Trusts	+16.03
Building Materials	+25.61	Brewers and Distillers	+15.86
Capital Goods	+25.18	Property	+13.62
Mechanical Engineering	+24.95	Other Groups	+9.67
Packaging and Paper	+24.35	Insurance (Life)	+8.21
Health and H'sehold Products	+24.26	Overseas Traders	+7.50
Tobaccos	+22.76	Food Retailing	+6.91
Banks	+22.79	Gold Mines Index	+4.93
Office Equipment	+20.57	Telephone Networks	+3.96
Mining Finance	+20.22	Insurance Brokers	+1.96
Leisure	+19.33	Oil and Gas	+0.45
Electronics	+18.65		

FINANCIAL TIMES STOCK INDICES

	April 25	Apr. 24	Apr. 23	Apr. 22	Apr. 21	Apr. 18	year ago
Government Secs.	93.24	93.32	93.11	94.23	94.23	94.51	81.19
Fixed Interest	98.77	98.90	96.94	97.51	97.35	97.40	85.87
Ordinary *	1357.9	1348.0	1363.0	1389.8	1394.5	1403.1	970.9
Gold Mines	257.2	264.8	275.3	267.5	270.0	271.7	521.2
Ord. Div. Yield	3.96	3.98	3.95	3.88	3.86	3.84	4.68
Earnings, Yld. %(full)	9.83	9.90	9.79	9.60	9.55	9.43	11.73
P/E Ratio (net)	12.47	12.39	12.52	12.77	12.84	13.14	10.37
Total bargains (Est.)	31,031	30,123	28,579	39,675	30,908	32,873	—
Equity turnover £m	—	882.41	1051.70	1220.61	611.00	639.12	568.59
Equity bargains	—	30,683	26,789	27,654	29,277	27,546	26,614
Shares traded (m)	—	346.0	397.9	276.7	353.3	297.1	271.2

* 10 am 1363.2, 11 am 1354.3, Noon 1351.0, 1 pm 1348.3, 2 pm 1348.7, 3 pm 1348.5, 4 pm 1354.0. Day's High 1363.8 Day's Low 1347.9. Basis 100 Government Secs. 15/10/26. Fixed interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. Activity 1974. Latest Index 01-246 8026. * Nil=12.02.

HIGHS AND LOWS / S.E. ACTIVITY

	1986 High	1986 Low	Since Compilat'n High	Since Compilat'n Low	INDICES	Apr. 24	Apr. 23
Govt. Secs.	94.51 (18/4)	80.39 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)	Daily Gilt Edged Bargains	145.9	173.9
Fixed Int.	97.51 (22/4)	86.55 (2/1)	150.4 (28/11/47)	50.53 (3/1/75)	Equities Bargains / Value	1783.62	128.8
Ordinary	1425.9 (3/4)	1094.3 (14/1)	1425.9 (3/4/86)	49.4 (26/6/40)	5-day Average Gilt Edged Bargains	163.9	181.3
Gold Mines	357.0 (2/1)	257.2 (25/4)	734.7 (15/2/83)	43.5 (26/10/71)	Equities Bargains / Value	1660.2	1,639.3

STOCK EXCHANGE DEALINGS

Details of business done below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission. Details relate to those securities not included in the FT Share Information services. Unless otherwise indicated, denominations are 25p and prices are in pence. The prices are those at which the business was done in the 24 hours up to 3.30 pm on Thursday and settled through the Stock Exchange Talisman system; they are not in order of execution but in ascending order which denotes the day's highest and lowest dealing prices. For those securities in which no business was recorded in Thursday's Official List, the latest recorded business in the four previous days is given with the relevant date. † Bargains at special prices. ♦ Bargains done the previous day. Δ Bargains done with non-member or executed in overseas markets.

STERLING ISSUES BY FOREIGN GOVERNMENTS AND INTERNATIONAL INSTITUTIONS

[illegible]

CORPORATION AND COUNTY

[illegible]

UK PUBLIC BOARDS

[illegible]

FOREIGN STOCKS (coupons payable in London)

[illegible]

STERLING ISSUES BY OVERSEAS BORROWERS

[illegible]

BANKS, DISCOUNT

[illegible]

BREWERIES

[illegible]

COMMERCIAL, INDUSTRIAL

A—B

[illegible]

C—D

[illegible]

E—F

[illegible]

G—H

[illegible]

I—K

[illegible]

L—M

[illegible]

N—O—P

[illegible]

Q—R—S

[illegible]

T—U—V

[illegible]

STOCK EXCHANGE DEALINGS

7¼pcLn 1991-2006 £87¼ 8 ¼
Unilever NV6pcPf Fl 12.50 (18/4)
Union Inml 6pcPf (£1) 56@. 7pcPf £1 66. 10pcAPf (£1) 86 (23/4)
Union Steel Con (S. Africa) (R0.50 13 (21/4)
Uniroyal 5pc2ndPf (£1) 34 (23/4)
Utd. Biscuits (Hldgs.) Wts to sub 103 6 6: 8. 8pcDb 1993-98 £90¾ (22/4). 5¼pc Ln 2003-08 £58 (18/4)
Utd. Gas Indusls. 10½pcLn 1998-2003 £103 (21/4)
Upton (E.) Sons 46 (23/4). 10pcLn 1990

Vantona Viyella 4.55pcPf (£1) 62. 5pc Pf (£1) 70½ (22/4). 8.4pcDb 1989-94 £92. 6.25pcLn 1991-96 £72 (22/4). 7.75pcLn 1987-92 £88 (18/4)
Vickers 5pcPf (£1) 40 (22/4). 5pcPf (£1) 88½ (22/4)
Victoria Carpet Hldgs 71 (23/4)
Volvo AB B (SK25) 556½ 57¼ SK398

W—Y—Z

WPP Grp (10p) 515 20 3 8 30
WSL Hldg (5p) 143 4 5 ½ 8 ½ 9 50 1 2 3 3 4 5 6 ½ 7 6. New (5p) 147 8 50 1 2 3 4
Waddington (John) 6pcPf (£1) 45. 8pc Pf (£1) 69 70 (22/4)
Wade Potteries 10pcPf (£1) 110 (22/4)
Walker (Thomas) (5p) 23
Ward White Grp 5.5pcPf (£1) 52 (23/4)
Warner Holidays 6½pcPf (£1) 50 (22/4)
Waterford Glass Grp 11¼pcLn 1976-95 £88 5 (22/4)
Waverley Cameron 145 (22/4). 6pcPf (£1) 60 (18/4)
Wellcome 182 3 4 5 6 6 7 8 9 9 80 90 1 2 2 3 3
Wellman 10pcPf (£1) 132 8
Western Motor Hldgs ANonV 85 (21/4)
Westland War to sub 18 9. 7¼pcDb 1987-92 £89½ (23/4). 7½pcPf (£1) 110 2.

Second Alliance Tst 4½pcPf £40 (18/4)
Secs Tst of Scotland 4½pcPf £40 (23/4). New 12pcDb 2013 £118¼ (23/4)
Shires Inv War 34 6. 11pcLn 2003-04 £112 3
Smaller Co's Int Tst 5pcPf (£1) 44
TR Australia Inv Tst Wts 10 (21/4). 7pcDb 1987-2002 £75 (23/4)
TR City of London Pfd (£1) 168. 6pc1stPf £54 (23/4)
TR Industrial Gen 5½pcDb 1982-87 £96 (22/4)
TR Natural Resources 5pcPf (£1) 44 (23/4)
TR North America 5pcPf (£1) 43 (23/4)
TR Pacific Basin Wts 463. 4½pcPf (£1) 40 1 (23/4)
TR Property 4½pcPf £39½ (23/4)
TR Technology 5pcPf (£1) 40
TR Trustees Corp 4½pcPf £42 (23/4)
Temple Bar 7pcPf (£1) 64 (23/4)
Throgmorton 12⅞pcDb 2010 £117
Throgmorton USM (50p) 92. Wrts 28
Tor Invest 6pcPf (£1) 52 (23/4)
US Debenture Corp 4.8pcPf £57½ 9 (23/4). 4½pcDb 1990 £64 (23/4)
Updown Invest 245 6¼ (18/4)
Vantage Secs Wrts 30 (21/4)
Winterbottom Energy 3½pcPf (£1) 46 (23/4)

UNIT TRUSTS

MG International Income Fund 50¼ (22/4). Accum 59 (21/4)

MINES—MISCELLANEOUS

Anglo American Invest Tst (R0.50) £54 (23/4). 6pcPf (R2) 5 (23/4)
Anglo United Devel Corp NPV (Can Reg) 31
Bisichi Tin (10p) 17½
Consol Gold Fields 7¼pcLn 1999-2004 £80¼ (23/4). 8¼pcLn 1988-93 £89
De Beers Consol Dfd (R0.05) $7.4
El Oro Mining Explor (10p) 180 (21/4)
Griqualand West Diamond (R20) 150

Hartlepools Water 3.5pc (Fmly 5pc) £42 (18/4)
Mid Kent Water 3.5pc (Fmly 5pc) £42. 3.5pc (Fmly 5pc) Pf £40
Mid-Southern Water 3.5pc (Fmly 5pc) £45 6 (23/4)
Mid-Sussex Water 4.9pc (Fmly 7pc) £55
Newcastle & Gateshead Water 4.9pc (Fmly 7pc) (1876) £50 (21/4). 3.5pc (Fmly 5pc) Pf £39 (23/4)
North Surrey Water 3.5pcPf £39. 4pcDb £30 1
South Staffordshire Waterworks 9¼pcDb 1998-2000 £94 (21/4)
Sunderland & South Shields Water 7pcDb 1985-88 £91½ (18/4)
West Hampshire Water B (4.9pc Max Fmly 7pc) £10 300 (21/4). 3.5pc (Fmly 5pc) £42
Wrexham & East Denb Water 4.9pc (Fmly 7pc) £45 (22/4)
York Waterworks 3.5pc (Fmly 5pc) (Max Div) £42

UNLISTED SECURITIES MARKET

American Electronic Components (5p) 19 ½
Applied Holographics Warrants 220
BPP Holdings (10p) 183
Biomechanics International (10p) 19 20. 8pcLn 1991 £110 (23/4)
Cannon Street Inv 7.7pcPf 1994-98 515 25
Chart Foulks-Lynch (5p) 90 (23/4)
Cobra Emerald Mines Shs of NPV 80 ½
Continental Microwave (Hldgs) 6.0pcPf 2005 (£1) 710
Cramphorn (50p) 305 10
Davies (D. Y.) (5p) 157. New (5p) (Fp/LA-6/8/86) 157 69 70 1 2 3 4 5 ¾ 6 7 8 ½ 9 80 ½ 2
Dunton Gp 12pcPf (1997-2002) (£1) 290 (21/4)
Eldridge, Pope A (Rest Vtg) (£1) 380 2 3
Electron House 6.5pcPf (£1) 104 5
Entertainment Production Services (5p) 8 ½ 9 (21/4)
Gibbs Mew 145 (21/4)
Gould (L.) 122 3 (22/4)
Intervision Video (Hldgs) (10p) 3 (23/4). 7pcPf (£1) 23
Kenyon Securities 233 (18/4)
Lodge Care New (Fp/AL-14/5/86) 91 2 3 4 6. 7½pcPf 1991-96 (£1) (Fp/AL-14/5/86) 110
Parkfield Gp 7pcPf (£1) 167
Paul Michael Leisurewear (5p) 10
Pavion International 3.85pcPf (£1) 52½ (22/4). 11pcLn 1994-2002 £98 100
Perkins (J.) Meats (10p) 25 7
Sigmex International (10p) 72
Technology for Business 7pcPf (£1) 133 (22/4)
West Yorkshire Independent Hospital (50p) 76 (21/4)

SPECIAL LIST

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List

ACI International 167 (21/4)
Aberfoyle 400@
Acorn Securities 220 (23/4)
AEG-Telefunken £100@ (21/4)
Aetna Life & Casualty £38¼ (18/4)
Ahold NV Fl 77½ (23/4)
Air Liquide Fr 805@ (23/4)
Amatil 376
American Home Prods £57½ (23/4)
Amoco Corp £39½ (18/4)
Ampol 112
Amsterdam-Rotterdam Bank £27
Anglo Gold Mines 4 (21/4)
APM 175
Ashton Mining 760
Asia Oil & Minerals ¼@ (22/4)
Associated Manganese Mines of S.A. £33 (23/4)
Atlantic Richfield £34⅞@ ½
Aust. Foundation 102
Aust. National Industries 159@
Aust. Oil & Gas 80
Avon Prods US$33⅞ (21/4)
Batu Kawan 50 60 (22/4)
Bayerische Motoren Werke DM 594@ (23/4)
Beach Petroleum 29@
Becton Dickinson £31⅞ (21/4)
Bell Gp 375 7
Bligh Oil & Minerals 14½ (23/4)
Boral Ord Stk 230 (23/4)
BP Canada 600 (23/4)

Vamgas 100 (18/4)
Verba A.G. £104½@ DM 338 (23/4)
Volkswagenwerk A.G. £189 DM 636
Wang Laboratories Class B Com £11½@ (21/4)
Waste Management US$44⅞@ (18/4)
Westinghouse Electric £38⅛@ (23/4)
Westmex 82@ 5
Woodside Petroleum 48½@ (18/4)
Woodside Petroleum (Lon. reg) 50½@ 45 ½ 6
Wormald International 182 4 (23/4)
Zanex 16½ (21/4)

RULE 535 (2)

Applications granted for specific bargains in securities not listed on any exchange

Airship Inds. (12½p) 33 5
All England Lawn Tennis Gnd. £500 Db 1966-90 (Fully Paid) £16,550 700 (22/4)
Amal. Metal Corp. (£1) 113 20 23/4)
Anglo-Am. Agric. 7½pcLn 1990 96¼ 7 (23/4)
Ann Street Brewery (£1) 570 80 5 (22/4)
Arsenal FC (£1) £540 50
Barbican (1p) 4¼ 5½
Berwick Salmon Fisheries (£1) 206 14 (21/4)
Border TV A NV (10p) 31 2½
Cambridge Instrument (5p) 130 ½ 5 7
Central ITV (50p) 283 8
Channel Hotels & Props. (10p) 136
Channel Island Communications 100 (21/4)
Dawson (Wm.) (10p) 448 50
De La More (W. H.) (£1) 550 (22/4)
Dolamore (10p) 22 (21/4)
Duckwari Tea and Rubber Ests (10p) 36 7
Explaura (5p) 5 ¼
G.R.I. Electronics (10p) 375 80 (23/4)
Hard Rock Cafe (2p) 80 5
Home Brewery 760 3 (22/4)
I C.E. (1p) 700 10
Island Garages (10p) 9 10 (21/4)
Jennings Bros 169¼ 70½
Jersey Canning 4pcPf (£1) 33½
Jersey Gas 5pc A Pf (£1) 42
Kuala Pergau Rubber Plants (10p) 15 (23/4)
Konick Leisure (10p) 34½ 5½ (23/4)
Leeds Fireclay 4pc Mortg Db £21 3pc (21/4)
Le Riches Stores (£1) 565 70 (18/4)
Manchester Utd FC (£1) 410 20 (23/4)
Manx Petroleum (£1) 2 ½ (18/4)
Merchant Manufacturing Estate (£1) 104½ 5 (21/4)
Midland Cty Partnerships (10p) 500 5 (22/4)
Munro Corporate (5p) 375 6¼ (18/4)
Nationwide Leisure 8¼pcPf 7½ (21/4)
Norton Villiers Triumph (10p) 1 2 ¼ ½ (22/4)
Oodles (10p) 21 2 (22/4)
Rangers FC (£1) £12.50 £14 (22/4)
Seymours 4pcPtPf (£1) 58
Shepherd Neame A (£1) 620 5
Southern Newspapers (£1) 224½ 6
Taddale Inv (10p) 6 7
VSel Consortium (£1) 127 (22/4)
Weetabix A (Non-Vtg) 157 9 60 ¼ (18/4)

RULE 535 3)

Dealings for approved companies engaged solely in mineral exploration.

None

APPOINTMENTS

New chairman for Glynwed International

Sir Leslie Fletcher, of GLYNWED INTERNATIONAL is to retire at the end of the year. He will be succeeded by Mr Gareth Davies, the group's deputy chairman and group chief executive. Mr Davies joined Glynwed almost 30 years ago as accountant of a subsidiary company based in West Bromwich (west Midlands). He successively became group chief accountant in 1966; group financial director in 1969; deputy chairman in 1975 and in 1981 was additionally appointed group managing director.

★

Mr William Neville Bowen, chairman and chief executive of Hill Samuel Investment Management Group, has joined the board of PHILIP HILL INVESTMENT TRUST.

★

Mr Lewis F. Jones has been appointed managing director of DATA-SHIP (UK).

★

The following will join the partnership of HERBERT SMITH AND CO on May 1: Mr Alan Jowett, Mr Michael Davis, Mr Alastair Morley, Mr David Martin, Mr Patrick Robinson and Mr Stephen Hancock.

★

Mr Anthony R. Camplin, Mr David F. Collins and Mr Stewart Hamilton have been appointed executive directors of A. P. BANK from May 1.

★

Mr Ian G. Forrest has been appointed a director of SHANKS AND McEWAN (CONTRACTORS).

★

TREND COMMUNICATIONS (UK), a *Phicom* company, has appointed Mr Bernard Dunk as engineering director.

★

On May 1 Mr Nicholas Stanley will become managing director of CORNEY AND BARROW.

★

Following the acquisition by the Save and Prosper Group of MONTAGU, LOEBL, STANLEY AND CO, Mr P. T. Baker will, on April 28, become a consultant to Montagu Loebl Stanley Limited.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

AUTHORISED UNIT TRUSTS & INSURANCES

Abtrust Fund Managers Ltd

Aetna Life Insurance Co Ltd

401 St John St, London EC1V 4QE

Life Funds

Abbey Life Assurance Co Ltd

Allied Dunbar Assurance Plc

AMEV Life Assurance Ltd

Ambassador Life Ass. Co Ltd

Baltic Assurance Funds

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

British National Life Assurance Co Ltd

Canada Life Group

Cannon Assurance Ltd

Chase de Vere Investments Ltd

City of Edinburgh Life Assurance

City of Westminster Assurance

Clerical Medical/Fidelity International

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Commercial Union Group

Continental Life Insurance PLC

Cornhill Insurance PLC

Credit & Commerce Life Ass. Ltd

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance Plc

Devonshire Life

Eagle Star Insurance Co Ltd

Eagle Star Insur/Midland Assur.

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Federation Mutual Insurance Ltd

First Financial Services PLC

Framlington Life Insurance Ltd

Friends' Provident Life Office

GT Management Ltd

General Accident Linked Life Assurance

Assicurazioni GENERALI SpA

General Portfolio Life Ins. Plc

Gresham Unit Assurance Ltd

Growth & Sec. Life Ass. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd

Imperial Life Ass. Co of Canada

Imperial Life (UK) Ltd

Irish Life Assurance Co Plc

The LAS Group

Langham Life Assur. Co Ltd

Legal & General (Unit Assur) Ltd

Kingswood House, Kingswood, Tadworth, Surrey KT20 6EU

Legal & General Prop. Fd. Mgrs. Ltd

Liberty Life Assurance Co Ltd

Lloyds Life Assurance

London A'deen & Nthn. Mtl. Assur. Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London Life—Continued

London & Manchester Group

M & G Group

MGM Assurance

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance

Municipal Life Assurance Ltd

NEL Pensions Ltd

National Mutual Life Ass. Soc.

National Mutual of Australasia

National Provident Institution

Norwich Union Insurance Group

PRE Fund Management Ltd

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Property Equity & Life Ass. Co

Property Growth Assur. Co Ltd

Providence Capital Life Assur. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Life Assurance Co Ltd

Prudential Assurance Co Ltd

Prudential Pensions Limited

Reliance Mutual

Royal Life Insurance Ltd

Save & Prosper Group

Schroder Life Assurance Ltd

Scottish Amicable Investments

Scottish Equitable Life Assc. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Scotbal Life plc

Slam (Albert E.) & Co.

INSURANCES

Friendly Society

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733

Special Acc	10.375	7.76	11.32	Mth
Over £10,000	10.625	7.94	11.61	Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL 1SE 0752 24141

High Int Chq Acc	10.44	7.80	11.31	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	22	Marks & Spencer	18
BAT	32	Midland Bk	44
BOC Grp	32	NEI	11
BSR	14	Nat West Bk	70
BTR	45	P & O Dfd	45
Babcock	20	Plessey	20
Barclays	45	Polly Peck	16
Beecham	32	Racal Elect	17
Blue Circle	56	RHM	20
Boots	26	Rank Org Ord	48
Bowaters	30	Reed Intnl	75
Brit Aerospace	48	Sears	12
Brit. Telecom	17	TI	42
Brown (J.)	3	Tesco	30
Burton Ord	32	Thorn EMI	35
Cadburys	17	Trust Houses	12
Charter Cons	22	Turner Newall	18
Comm Union	28	Unilever	120
Courtaulds	26	Vickers	40
Distillers	52	Wellcome	19
FNFC	15	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	27	Land Secs	30
Glaxo	100	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	75	Samuel Props	18
Guardian	75	**Oils**	
GKN	32	Brit. Oil & Min	$2\frac{1}{2}$
Hanson Tst	16	Brit Petroleum	48
Hawker Sidd	52	Burmah Oil	30
ICI	50	Charterhall	3
'Imps'	28	Premier	$3\frac{1}{2}$
Jaguar	27	Shell	55
Ladbroke	32	Tricentrol	15
Legal & Gen	79	Ultramar	18
Lex Service	38	**Mines**	
Lloyds Bank	55	Cons Gold	40
Lucas Inds	60	Lonrho	25
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

OVERSEAS NEWS

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
100	99	Treas 12pc 1986	100	.....	11.98	10.51
99	98	Treas 8¼pc 1984-86‡‡	99	.....	8.53	10.40
102	100	Exch. 14pc 1986	102xd	.....	13.73	9.80
98	94	Exch. 2½pc 1986	97 xd	−	2.56	6.73
102	100	Exch. 13¼pc 1987	102	.....	12.90	9.30
100	97	Treas 10¼pcCv '87	100	.....	10.19	9.34
96	92	Exch 2½pc 1987	96½	−	2.59	6.90
101	97½	Exch. 10½pc 1987	101	+	10.38	9.20
98	93	Funding 6½pc '85-87‡‡	98xd	−	6.62	8.18
101	96	Treas. 10pc 1987	100	.....	9.93	9.32
95	90	Treas 3pc 1987	95	−	3.14	7.09
104½	99	Treas. 12pc 1987	104xd	.....	11.52	9.00
99	92	Treas 7¾pc 1985-88‡‡	98	−	7.85	6.51
104	96	Exch 10½pc '88	103 xd	−	10.16	8.69
102	95	Treas 9½pc Cv '88	101	−	9.58	8.11
92	86	Transport 3pc '78-88	92	−	3.25	6.73
102½	93	Treas. 9½pc '88	101 xd	−	9.24	8.67
107	98	Treas 11½pc 1989	106	−	10.75	8.66
103½	93	Treas 9½pc Cnv. '89	102	−	9.27	8.55
90	82	Treas 3pc 1989	90xd	−	3.33	6.68
105	95	Treas 10½pc 1989	104	.....	10.02	8.72
104	94	Exch.10pc 1989	103	−	9.67	8.75
107	97	Exch 11pc 1989	106	−	10.32	8.71
92	84½	Treas 5pc 1986-89	92½	+	5.40	7.49
110	94	Exch 10¼pcCv '89	109xd	−	9.39	7.28
114	105	Treas 13pc 1990‡‡	113	−	11.45	8.66
108	97	Exch 11pc 1990‡‡	107	−	10.22	8.59
113	101	Exch. 12½pc 1990	112	−	11.11	8.64
87	79	Treas. 3pc 1990	87 xd	.....	3.45	6.72
100	89	Treas 8¼pc 1987-90‡‡	99	−	8.29	8.37

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

1986 High	Low	Stock	Price £	+ or −	Div Gross
38	31	Campbell Soup 30c	37	+	$1.3
36	27½	Caterpillar Tractor	35xd	+1¼	50
610p	306p	Cenergy Corp. 25c	417p	+19	
32	24	Chase M'htn $12.5	31xd	.....	$2.0
37	29	Chemical New York	35½	.....	$2.4
32	26	Chesebrough-Pond's $1	32	−	$2.0
31	19	Chrysler $6¼	24	.....	66.0
42	33½	Citicorp $4	40xd	+	$2.2
11	774p	CityFed Fin. Corp.	10½	.....	40
26	21½	Colgate-P. $1	26xd	+	$1.3
51	42	Colt Inds. $1	47	−	$2.5
32	25	Cons Freightwys $0.625	30½	.....	$1.1
819p	536p	Cont Illinois Corp $1	536p	.....	—
84	41p	Cont Illinois Hldgs.$1	41p	.....	—
64p	39p	♦Corporate Data Sci	48p	.....	—
32	28	Crown Zell. $5	31	+	$1.0
13	793p	Cullinet Sftwr $0.1	941p	+58	—
287p	131p	Damson Oil 40c	131p	−8	—
23	18	Dana Corp. $1	21	.....	$1.2
33	24	Data General	27	−	—
24	15	♦Derma-Lock Medical	18p	.....	—
75	55	Dun & Bradstreet $1	70	−	$1.8
52	44	Eaton Corpn. 50c	48	+	$1.6
38	35	♦Exxon	38	+	$3.6
22	18	FPL Group $0.01	21	+	$1.9
17	12	Fairmont Fin.	16½	.....	—
11	665p	Fin. Corpn. Amer. 50c	736p	−76	—
22	19	First Chicago $5	20	.....	$1.3
56	37	Ford Motor $2	53	−	$3.3
28	21	GATX 62½c	21	+	$1.2
53	47	Gen. Elect. $1¼	51	.....	$2.3
60	48	Gillette $1	59	−	$2.7

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
[illegible]							
60	50	Colby Res Corp	55	.....	—	—	—
300	200	Cons. Murch. 10c	210	.....	[illegible]	3.9	‡
34	28	Enner Int. Ir10p	28	.....	—	—	—
101	70	Greenwich Res.	90	.....	—	—	—
143	93	Hampton Areas 10p	112	+7	3.75	0.9	4.5
245	165	Highwood Res.	212	–3	—	—	—
£19¼	£14¾	Homestake Mining $1	£14¾	–¼	Q20c	—	0.9
310	180	McFinley Red Lake	180	.....	—	—	—
285	210	Musto Explorations	210	.....	—	—	—
51	40	New Sabina Res C$1	42	.....	—	—	—
260	210	Northgate C$1	218	–10	—	—	—
790	513	RTZ	690	+22	22.0	♦	4.6
£164	£115	Do. 9½pcLn '95-2000	£145	+2	Q9½%	14.0	16.7
950	800	Tara Expln $1	865	+10	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- "Tap Stock".
- Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- Not officially UK listed; dealings permitted under Rule 535(4)(a).
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Dealt in under Rule 535(3).
- # Price at time of suspension.
- Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- Not comparable.
- Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	116	–2
Craig & Rose £1	£13	.....
Finlay Pkg. 5p	46	.....
Holt (Jos) 25p	730	.....
IoM Stm. £1	87	–3
IRISH		
Fund 11¼% 1998	£104¼	
Nat. 9¾% 84/89	£102½	

Fin. 13% 97/02	£[illegible]	.....
Arnotts	300	.....
CPI Hldgs	60	–2
Carrol Inds.	190	.....
Dublin Gas	53	.....
Hall (R. & H.)	67	.....
Heiton Hldgs.	29	.....
Irish Ropes	87	.....
Unidare	197	.....

"Recent Issues" and "Rights" Page 14

FINANCIAL TIMES
Saturday April 26 1986

Leading building societies to merge

BY DAVID LASCELLES

ANOTHER big building society merger was announced yesterday, making further consolidation in the movement which is being subjected to sweeping changes and greater competition.

Two Yorkshire-based societies, the Bradford and Bingley and the Yorkshire, said they intended to merge by the end of the year, subject to shareholder approval.

The society, to be known as the Yorkshire Building Society, will have combined assets of nearly £6bn, making it the seventh largest in the UK.

Mr Steven Spilsbury, general manager of the Bradford and Bingley, which ranks ninth with assets of £4bn, said yesterday: "Size is increasingly important. The merger will enable us to diversify our services if we want to."

Mr Derek Roberts, general manager of the Yorkshire, said bigger units would be better able to handle changes resulting from building society legislation later this year. The changes will allow large societies to compete more directly with banks by offering unsecured loans.

The Yorkshire is the UK's 13th largest society and has £1.8bn in assets. Its headquarters are only five miles from those of the Bradford and Bingley.

Mr Roberts said the two societies made ideal partners: "The chemistry is right, the geography is right."

Mr Geoffrey Lister, chief executive of the Bradford and Bingley, will become chief executive of the group in 1987. Until then he will share a joint appointment with Mr Denis Macnaught, chief executive of the Yorkshire, who is due to retire in 1987.

The group will have about 400 branches, 60 of them overlapping territory. It has not been decided which will close. The new society will open branches, particularly in the south where it is weakest.

The headquarters of the combined operation will be in Bingley, but the Yorkshire's offices in Bradford will be kept on. The computer operations will be housed in premises being built outside Bradford by the Bradford and Bingley. The two societies have different systems—one is an IBM and the other a Honeywell—but an integrated system will be developed.

Both societies said yesterday they had announced their intention to merge at an early stage to alert staff and clients to the plans. Such details as the company logo had to be decided, though it seems unlikely Bradford and Bingley's silhouetted City gents will be kept.

The announcement of the merger follows last year's merger of the Alliance and Leicester societies to create what is now the UK's fifth largest society. Not all recent mergers have gone smoothly. The Woolwich Equitable and the Nationwide aborted theirs last year after finding they were less compatible than they had thought.

UK BUILDING SOCIETIES' ASSETS
(£bn at end of 1985 unless otherwise stated)

Halifax	24.4*
Abbey National	19.6
Nationwide	10.3
Woolwich	7.3
Alliance Leicester	7.2
Leeds Permanent	6.9‡
Yorkshire	5.7†
National Provincial	5.3
Anglia	5.2

† After proposed merger. * January 31 1986. ‡ September 31 1985

N. Sea oil tax rules may be eased

BY DOMINIC LAWSON

THE Government hinted yesterday that it was prepared to change oil taxation rules. Any such move would be designed to reduce cuts in North Sea development programmes *brought about* by the oil price collapse.

Mr Alick Buchanan-Smith, Energy Minister, said at Aberdeen: "We want worthwhile and productive activity to continue at the highest level possible. . . The Government will keep the fiscal system under review."

Shell said this week it has scrapped plans for the £2.5bn development of the Gannet cluster of fields in the North Sea. It said that at current oil prices, it could not justify such expenditure.

Mr Christopher Willey, a director of the UK Offshore Operators' Association, which represents the larger North Sea companies, said his members wanted a reduction in the overall petroleum revenue tax rate, which stands at 75 per cent. They were also seeking tax concessions to encourage incremental investments designed to increase oil output from existing fields.

The Government seems willing to change its stance on this second point. Mr Buchanan-Smith said yesterday: "One particular aspect, on which both we and the industry have spent a lot of time, is that of incremental investment in existing oil fields."

Under present rules, production from new facilities in existing fields are taxed at top marginal rates. But any discovery designated as geologically separate to any existing development is exempt from royalty payments of 12 per cent. Petroleum revenue tax is also waived if the discovery yields fewer than 20,000 barrels a day.

The association's request, towards which the Government appears to be leaning, is that new production from incremental development of existing fields should be given "separate field status."

An example of a sizeable field that could be developed, if such a concession were made, is the Arbroath field, which has an estimated 100m barrels of recoverable oil.

The Government has refused it field status separate to the adjoining Montrose field and it has not been developed, in spite of being the first oilfield found in the UK sector of the North Sea.

Wood Mackenzie, the stockbroking firm, said yesterday that, under present tax laws, a cut from $30 to $15 a barrel in oil prices reduces by 1bn barrels, to 6.5bn barrels, the UK's remaining economically recoverable reserves from existing fields.

Norway acts to end offshore oil dispute

BY FAY GJESTER IN OSLO AND DOMINIC LAWSON IN LONDON

OUTPUT from Norway's offshore oil and gas platforms and from the British side of the Anglo-Norwegian Frigg field, was returning to normal yesterday, after the Government referred the production workers' dispute to company arbitration.

The conflict, a combination of strike and lock-out, began on April 6 and has cost the Norwegian state an estimated NKr 3bn to 4bn (£350m) in lost revenue. Last weekend the production workers' union, OAF extended its action to include Britain's sector of the Frigg field.

Anticipation of the return of 900,000 barrels a day of crude oil from the Norwegian offshore fields caused North Sea oil prices to fall. In London, a cargo of Brent crude for delivery next month was bought and sold at $11.30 a barrel, more than $1 below the best levels recorded on Thursday.

Prices held up well on the New York Mercantile Exchange, however, because of an expected surge in demand for gasoline. June contracts in West Texas crude fell by only 20c a barrel to $12.70. Traders argued that if there were a large fall in the number of Americans travelling to Europe, more oil would be used on US highways.

The Norwegian oil employers' organisation, NOAF, said that all four unions involved in the dispute had accepted the Government's decision to refer the matter to the state Wages Board for arbitration. The first helicopter loads of personnel were despatched almost immediately and production was expected to move rapidly into full gear.

Initially, the Government was reluctant to intervene. Because of low oil prices, the cost in lost revenue has been less than in previous offshore strikes. Moreover, ministers were anxious not to justify allegations by the unions and the International Labour Organisation that resort to the Wages Board had become almost automatic in Norwegian offshore disputes, effectively depriving production workers of their right to strike.

The official attitude changed when renewed mediation, arranged after the extension of the dispute to Britain's part of Frigg, failed to bring a solution.

Justifying his decision to order a compulsory settlement, *Mr Arne Rettedal, the Labour Minister*, pointed out that the dispute was no longer damaging Norway alone. He also claimed that the safety risks involved in any shutdown, with platforms manned only by maintenance crews, would gradually grow as the stoppage continued.

The Government will now draft the necessary legislation (a new law is required each time a compulsory settlement is ordered). This will be put to the Storting (Parliament) next weekend and is virtually certain to be approved. The bill will state that the dispute is to be settled by the decision of the state Wages Board, an impartial body of six people consisting of two neutral members and two members apiece nominated by the unions and the employers.

The employers' association lifted its lock out, which affected three unions, immediately Mr Rettedal made his announcement. Technically, both employers and unions can prolong their action until the Storting has approved the relevant bill. However, the unions, although bitter about the Government move, decided to return to work yesterday.

Screen Entertainment film chief to leave

BY RAYMOND SNODDY

MR GARY DARTNALL, who led the unsuccessful management buyout attempt at Thorn EMI's Screen Entertainment division, is to leave the company.

Mr Dartnall's decision came yesterday as the Bond Corporation of Australia, a company with interests in brewing, the media and energy, completed its acquisition of Screen Entertainment for £125m. The price was £15m higher than expected because of projects funded since the original deal was struck in September.

Mr Dartnall agreed in March to stay on as chief executive of Screen Entertainment. He apparently changed his mind when it became clear that he would have less autonomy than under Thorn, and have to report through Bond Corporation nominees rather than directly to Mr Alan Bond, the chairman.

Mr Peter Mitchell, an executive director of the corporation, said yesterday: "We cannot have operations not controlled by the central policy of the Bond Corporation."

Mr Dartnall is in the Seychelles, where the latest Screen Entertainment film, The Castaways, is being shot, and could not be reached for comment.

He will stay with Screen Entertainment for 90 days to arrange an orderly transition. Mr Dartnall, it is believed, would have been paid $370,000 a year plus a $500,000 bonus if he stayed at least a year.

Mr Alan Bond, the British-born Australian businessman who is also chairman of Airship Industries, is conducting a review of all Screen Entertainment's activities.

He said that future decisions would be passed on "long-term strategies and sound financial parameters."

Screen Entertainment interests include film production, film and video distribution, Elstree Studios, 294 screens in 107 ABC cinemas, and a film library of more than 2,000 titles.

There has been considerable speculation in the film industry as to whether the Bond Corporation will sell Elstree Studios and at least some of the cinemas.

Mr Mitchell said yesterday: "We have no plans at present to sell parts of Screen Entertainment. We are reviewing the business to see what our options are."

It is believed that potential buyers for Elstree and the cinemas are in the wings should the Bond Corporation, which forecasts sales of more than A$2bn (£1bn) this year should decide to sell.

Mr Bond, who says he wants to establish Screen Entertainment as one of the major movie companies, is doing what all movie moguls do at this time of the year. He is off to the Cannes Film Festival.

THE LEX COLUMN

The bulls take a back seat

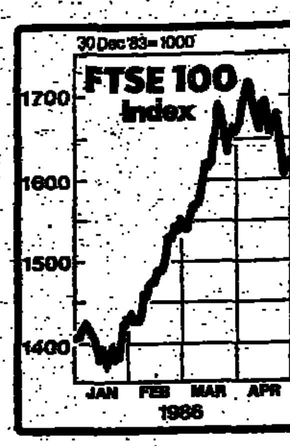
Almost without regard for national peculiarities, equity markets this year have been riding on cheap oil, cheap money, and a cheap dollar. In the broad market sweep, it has mattered little in the early months of 1986 whether a national economy was oil exporting or a net importer of the $12 barrel. Naturally excluding the oil stocks, which languish in a ghetto of their own, equity markets *have been willing to discount* oil-induced earnings growth everywhere.

In much the same way, the prolonged fall of the dollar has for several months been taken as positive even for markets where a large proportion of the earnings stream arises in dollars, or from exporting against the handicap of a rising currency. For all equity markets the internattional merry-go-round of falling interest rates has made the mass of share valuations appear too conservative, for a given earnings forecast. Rising bond prices have dragged equities in their wake both directly and by dint of making future earnings appear to have been discounted too harshly.

It never took a crystal ball to see that an upward *movement propelled by these ingredients* could be easily reversed. Indeed, it does not even require anything to go wrong with the oil price or interest rates for bond markets to tire, or for the magnification of p/e ratios to cease. To sustain their vitality, bull markets in bonds tend to require increasing inputs of actual news. Even with a further round of concerted international interest rate reductions widely expected to flow from the Tokyo summit, the bond markets seem to have stalled. And not even rising projections for corporate earnings—*especially in the US*—have prevented equity markets from doing likewise.

Largely a creature of the international scene, the UK equity market has suffered a few pin-pricks of its own. The FT-SE 100 index, has dropped 6 per cent from its high at the beginning of April, a fall regarded as a healthy correction—stockmarket jargon for any drop of under 10 per cent. If it should go further, and a sell-at-best psychosis developed, it might be called a bear market, but only different and unexpected bad news would effect that transaction at present.

Index rose *9.9* to 1357.9



The prime technical cause of the recent weakness has been an increased supply of stock from the Saatchi and Saatchi rights issue, post-takeover placings and gilt-edged calls. More fundamentally the rise in the pound/dollar exchange rate has at last led analysts to shave profit forecasts for overseas earners. A rising currency *would normally encourage* foreign investment in the markets. But though this is true of gilt-edged stocks, where those which pay interest free of tax to residents abroad are standing at historically high premiums to the rest, the whole ADR tax squabble has deterred buying of equities. If, as some expect, a compromise of a 2 per cent tax is agreed, that interest could re-emerge.

Otherwise, the fundamental economic case for the UK market to rise from here, if not at the same rate as in the first four months of the year, stands or falls with your view of the rest of the world. Fund managers are still fully invested and looking for higher returns from equities than bonds. The political situation in the UK seems less certain than elsewhere, though. The general election could now be as close as next spring. Though by-elections are still being written off as mid-term and not too serious, later this year investors, particularly overseas-based ones who think Britain is politically unstable, might start getting nervous.

It may seem an all-too familiar form of bull-market propaganda to see the set-back as no *more than a platform from* which to mount the next advance. With the exception of those market makers who have had a horrible time in a rising market, when stock of every *description was in short supply*, its is in nobody's interest to say anything else. In London at present, even the few broking houses which have been chronically pessimistic are hanging back from the unpopular act of proclaiming an end to the party. Indeed, there is a growing band of disappointed bears devoting quite a lot of ingenuity and paper to explaining why optimism is, after all, a more rational attitude.

Looking outwards, Wall Street is full of enthusiasts who argue that their market is no longer dependent on speculative action and has anyway failed to discount *anything* more than the falling interest rate; corporate earnings growth has yet to be credited with any present value. And if Wall Street could be persuaded to storm ahead once more, *everything* else would surely follow. At which point, the more subtle forms of special pleading might be abandoned. If markets are going up, they manage without much justification; if they are not, huffing and puffing does not much help.

Clive Discount

Mr Robert Maxwell may have failed as a take-over abitrageur with Clive Discount, but at least his tactics were sound. He bought most of his 3.35m shares at the time the offer was announced and at close to the offer price when it looked as if there was a chance of squeezing out a higher bid. And at 14.1 per cent the stake was of a size to be a niggling minority for Clive's new owners Prudential Bache, giving Mr Maxwell some bargaining power if he really did have ambitions to become involved in Big Bang. But those hopes were dashed when the offer document showed Clive's net asset value to be 32p a share. Mr Maxwell's plans to figure as a long standing shareholder ended after a month with his acceptance of the 50p a share cash offer, which had already been declared unconditional. Like any sensible arbitrageur he had a safety net under his high wire, though a safety net does not necessarily provide for the cost of carry. You cannot win them all.

Visible trade balance falls

Continued from Page 1

only a projection. It was set at £600m, the same level as the previous month. Overall export volume in the first three months of this year fell by 1½ per cent from the October-December figure to a level 1 per cent below the same period a year earlier. If oil and non-erratic items are excluded export volume fell 3 per cent in the latest quarter to stand 3 per cent lower than a year earlier.

The underlying level of import oil export volume has fallen in recent months, the DTI said. The underlying uevel of import volume has increased since the beginning of last year, but has changed little in recent months.

Exports of goods and services are expected to rise by 5 per *cent this year, according to the* Treasury's Budget forecasts. Imports are expected to rise by 6 per cent. An oil trade surplus of £5bn is still forecast by the Treasury.

Mr Gavyn Davies, chief UK economist at securities group Goldman Sachs, said the overall current account surplus for this year could now be slightly less than £2bn, not the Treasury's forecast £3½bn.

"Even taking into account sterling's recent strength, the overall UK price competitiveness position is almost as favourable as it has been at any time over the past 10 years, especially taking into account the competitive real exchange rate with the Deutschemark," he said. "This apparent renewed deterioration in the UK's international trade performance is therefore especially disappoint-

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Abaco Invs	56	+ 4½
Adwest	240	+ 13
Assc. Heat Services	455	+ 30
BSR Intl	133	+ 18
Barratt Dev	148	+ 6
Bejam	179	+ 5
Boots	263	+ 7
Chart Foulks Lynch	120	+ 30
Christies Intl	350	+ 17
Delta Group	250	+ 10
Goldsmiths Group	212	+ 10
GKN	341	+ 6
Hillsdown	311	+ 16
ICI	920	+ 6
Laporte Inds	362	+ 15
Lex Services	395	+ 21
Morgan Crucible	290	+ 28
P & O Dfd	543	+ 7
Polly Peck	163	+ 9
Rowntree Mack	492	+ 12
Tarmac	476	+ 8
Tomkins (F. H.)	312	+ 22
Tricentrol	50	+ 5
Wedgwood	343	+ 23
FALLS:		
CVD	137	− 18
Pict Petroleum	28	− 5
Prudential	896	− 24

WORLDWIDE WEATHER

UK today: Sunny periods, some showers, cloudy later. Outlook: Similar.

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	22	72	Corfu	S	21	70	Luxmbg.	C	9	48	Perth	S	23	73
Algiers	S	20	68	Dallas†	S	16	61	Madeira	F	17	63	Prague	S	17	63
Amsdm.	S	16	61	Dublin	F	12	54	Madrid	C	10	50	Reykjvk.	R	6	43
Athens	S	22	72	Dbrvnk.	S	19	66	Majorca	R	16	61	Rhodes	S	24	75
Bahrain	F	29	84	Ednbgh.	C	8	46	Malaga	F	18	64	Rio J'o	—	—	—
Barclna.	R	13	55	Faro	F	15	59	Malta	S	20	68	Rome	S	20	68
Beirut	—	—	—	Florence	C	22	72	M'chstr.	S	11	52	Salzbrg.	F	19	66
Belfast	F	9	48	Frankft.	F	16	61	Melbne.	F	15	59	S F'cisco†	C	11	52
Belgrd.	S	27	81	Geneva	S	13	55	Miami†	C	18	64	Singapr.	F	31	88
[illegible]	C	13	55	Gibraltar	F	18	64	Milan	R	14	57	S'tiago	—	—	—
[illegible]	R	9	48	Glasgow	F	10	50	Montrl.†	S	8	46	Stckhm.	C	10	50
[illegible]	F	10	50	G'rnsey	F	8	46	Moscow	C	20	68	Strasbg.	F	17	63
[illegible]	F	9	48	Helsinki	—	—	—	Munich	S	14	57	Sydney	S	29	84
[illegible]	S	32	90	H. Kong	C	26	79	Nairobi	C	24	75	Tang.er	—	—	—
[illegible]	C	11	52	Innsbrk.	F	18	64	Naples	S	22	72	Tel Aviv	S	25	77
[illegible]	[illegible]	12	54	Invrnss.	C	8	46	Nassau	—	—	—	Tenerife	F	21	70
[illegible]	[illegible]	13	55	I.o.Man	S	11	52	Nwcstl.	C	9	48	Tokyo	F	19	66
[illegible]	[illegible]	15	59	Istanbul	S	16	61	N Delhi	C	31	88	T'ronto†	S	8	46
[illegible]	[illegible]	26	79	Jersey	F	12	54	N York†	C	13	55	Tunis	S	24	75
[illegible]	[illegible]	27	81	Jo'burg	S	18	64	Nice	R	14	57	Valencia	F	13	55
[illegible]	[illegible]	9	48	L. Pims.	S	21	70	Nicosia	S	25	77	Venice	F	17	63
[illegible]	[illegible]	30	86	Lisbon	F	13	55	Oporto	F	12	54	Vienna	S	25	77
[illegible]	F	14	57	Locarno	R	10	50	Oslo	C	5	43	Warsaw	S	25	77
[illegible]	R	13	55	London	R	13	55	Paris	F	16	61	Zurich	F	13	55
[illegible]	C	9	48	L. Ang.†	C	13	55	Peking	C	13	55				

C—Cloudy. D—Drizzle. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

Libyans

Continued from Page 1

The move follows a Gov*ernment request to flying schools* and training facilities last week to introduce similar limitations on the trainees. Yesterday's move is a statutory action that goes much further.

Mr Colin Beckwith, principal of an air training school at Oxford, speaking on BBC Radio's World at One programme yesterday, said: "It will have a major and severe effect on our training programme.

"As far as my own students are concerned, I am quite sure they present no threat at all. I would not have thought it necessary here, where students are under instructor-control."

British Airways has 157 Libyan trainee mechanics at Heathrow, British Caledonian 21 at London's other main airport, Gatwick, Aviation Traders 47 at Stansted, Aeronautical Training Group four at Luton, Air UK 51 at Norwich and Air Services Training 26 at Perth.

At the Air Training School at Kidlington, Oxfordshire, there are 13 trainee pilots and 11 mechins. Trent Air Services has three trainee pilots at Cranfield, Bedfordshire.

● The Spanish Government has ordered the expulsion of three Libyan embassy employees and eight other Libyan residents, *AP reports from Madrid.* The move is Spain's first step in implementing EEC-approved sanctions against Libya, the Foreign Ministry said. Spain has also banned Libyan diplomats from travelling outside Madrid without Government approval.

Businessman killed

Continued from Page 1

ing yesterday afternoon. But the alleged terrorists did not give the name of their group in two telephone messages to press agencies in Lyons.

One message said Mr Marston had been shot in retaliation against the US and the second message said the group planned to destroy "all British and American capitalist interests in the world."

A small terrorist ring in the Lyons area was recently broken up by French security forces. A group allegedly belonging to the extreme left Action Directe movement was arrested in Lyon and nearby Saint-Etienne at the end of last month. One member of the ring escaped.

Police suggested last night it was too early to say whether dismantling the Action Directe group in Lyon was linked with Mr Marston's murder.

Speculation of a possible terrorist link has clearly been heightened by the Libyan crisis and the threats of terrorist retaliation against the US and Britain following the bombing raid of Libya.

To pre-empt possible terrorist actions along the Mediterranean coast, the French government has increased coastal defences around strategic sites such as air and naval bases. Security has been especially reinforced around the harbours of Toulon and Marseilles where five US Navy ships with their 5,000 crew members are docked.

Security has also been increased at southern air and naval bases which have been placed on permanent alert, where apart from Roland 1 and Roland 2 missiles, Crotale missiles have also been deployed.

French defence authorities say the entire coast from Nice to Perpignan has been protected, including radar installations at the Mont Agel, overlooking the bay of Monte-Carlo, and Narbonne.

Associated Press reports from Washington: A communications officer at the US Embassy in North Yemen was shot yesterday by an unidentified gunman as he was driving home from church. A State Department official said the victim was in stable condition.

WEEKEND FT

Saturday April 26 1986

• MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV •

The China trade

Mike Hatcher salvaged huge quantities of Ming porcelain from the sea. The antiques world is in turmoil and he stands to make a lot of money. Antony Thorncroft reports.

NEXT WEEK "Captain" Michael Hatcher will sit in the Hilton Hotel in Amsterdam watching a team of six auctioneers from Christie's make him at least £4m richer. For Hatcher is the man who has thrown the antiques world into a trauma not once, but twice, by discovering sunken cargoes of Chinese porcelain in the South China Sea. Next month he is off to prospect another even more potentially disruptive wreck.

At the age of 46 Hatcher seems at last to have found his calling. Wiry and balding, he has the self-contained determination typical of the Yorkshireman that he is. To date Hatcher has led a remarkably restless life: hence the name of his yacht, and his only home, "The Restless M." At the age of two, along with a much-loved sister, he was put into the care of Dr Barnardo's. When he was 13 they were sent to Australia where Hatcher ended up at a farm school, leaving at 15 to work in the outback on a sheepfarm.

It was the time when farms were becoming mechanised and the young Hatcher developed a taste for heavy equipment. He left the land to work for an engineering company in Sydney —"I was building things up and knocking them down" — where he became a true Australian of the surfing, scuba-diving kind. His first fortune came when the father of a girl friend gave him a job selling a new range of barbecue equipment in Australia. With his money he bought a yacht and at the age of 28 set off to sail around the world. He got as far as New Guinea.

Here he fell in with a group of salvagers and his engineering, sailing and diving skills all came together. It was the time of the spiralling tin price and money could be made bringing up cargoes from Second World War merchant ships which had been sunk by military action or nautical accident. By studying naval records in London Hatcher was able to pinpoint roughly the wrecks of boats carrying tin and rubber. On his first solo venture he brought to the surface 470 tons of tin, as well as rubber and wolfram, which he sold for $3m. After rewarding his crew and paying expenses Hatcher had made his first million. He decided to stick around the South China Sea, one of the oldest sea routes in the world, awash with wrecks from the Second World War, and, as he was soon to discover, from the preceding 2,000 or so years.

One day in 1983, somewhere just above the Equator and not too far from Singapore, but in international waters (he is understandably vague about the exact spot) Hatcher and his crew were searching for another Second World War wreck. On their scanning screen the outline of a boat showed up, obviously not the one they were seeking, but interesting enough for the divers on board to want to go and investigate. They were rewarded with 50 or so pieces of blue and white porcelain, quickly identified by a Chinese member of the crew as Chinese, and old.

It was a low key start to what has become a great adventure. On his next trip to Europe Hatcher took the pieces into Christie's saleroom in Amsterdam which, over the years, had established a reputation for selling treasures brought up from the sea bed. Chistie's included them in a routine auction in December 1983 but because there were few details about their origin, or provenance, interest was minimal. But Hatcher was becoming fascinated by this new world he had stumbled across. He returned to his wreck — and discovered 20,000 more items.

This time Christie's was forced to sit up and take notice. For a start such vast quantities of what turned out to be mid 17th century blue and white Ming porcelain could badly affect prices in a market which was very dependent on American buying, which itself was determined by the strength of the dollar. The fact that Hatcher was not giving too much away about excavation of the wreck also unsettled dealers. As a result only a handful bought heavily at the big Hatcher sale: David Howard of London, Axel Vervoord of Antwerp and Elizabeth Gertz of Dallas. They have not been disappointed in their gamble.

As the wreck's historical background began to be assembled its importance hit the confined and contentious world of Chinese porcelain. Hatcher had come across a junk trading between China and the Dutch entrepôt of Batavia, and lost around 1645. The porcelain on board was not top quality, but for the first time collectors had the chance to assemble rooms ringed with late Ming blue and white porcelain on a scale not seen in Europe for three centuries.

In the late 17th century the rooms of the Dutch royal palaces, which included Hampton Court, would have been embellished with row upon row of blue and white: now interior decorators could plan the same over-powering effect for today's wealthy collectors. The competition between the three dealers for the blue and white pushed the revenue from the Hatcher sales in Amsterdam to £1.5m, as against the initial £400,000 forecast. Today a single plate — and 3,000 were discovered on the junk — sells for £150, as against the price at the auction of £400 for six. Everyone now wants something from "Hatcher."

The impact of the first "Hatcher" was not solely commercial: also found on the wreck were items of blanc de Chine porcelain, which, according to some experts, should not have been there — they were a generation too early. As a result some waspish academic papers have enlivened the scholarly world in recent months, but generally, as the antiques trade showed that it could absorb the Hatcher wreck, helped by the co-operation of the dealers who had scooped the pool in setting prices, everyone was pleased with this lucky find.

And then Hatcher did it again. His thinking was that if there was one wreck *in that area there might be* another. There was, and it was no local junk but a full-blown Dutch East Indiaman bound for Europe with a full cargo. This time Hatcher was determined that his discovery should not be received with quibbles and questions. He videoed the entire excavation and returned to Christie's with film of crate upon crate of porcelain lying on the sea bed, and over 140,000 pieces.

So comprehensive was the find that Christie's was able to pass on information to Dr Christiaan Jorg of Groningen, the expert on the trading links between the Netherlands and its commercial adventurers in the Far East. He was able from the markings on the porcelain to identify the ship as the "Geldermalsen" which went down in 1751, although, according to the records, it had sunk some 50 miles away, a salutary reminder of the pitfalls in relying on historical *sources alone to locate wrecks.*

But Dr Jorg's contribution was no academic footnote. The loss of the "Geldermalsen" had been a major catastrophe in its day — in 1752 only four such vessels brought the goods of the China Seas to the Netherlands and its *disappearance was a financial disaster.* There was a detailed investigation into why it had gone down, assisted by the fact that 32 of the 112-man crew (which included, incidentally, 16 English sailors) had survived a week on the open sea in two small boats before reaching safety *in Java.* An investigation was particularly urgent because as well as tea, by far the most important element of its cargo, the "Geldermalsen" had been carrying gold. Since it had gone down in a calm sea (apparently it hit a reef) there were suspicions of skulduggery and the most important survivor, a boatswain, suffered demotion.

Hatcher has been able to rescue the boatswain's reputation. There was gold on the wreck, as Dr Jorg said there should be, but it had sunk with the ship. Armed with the presumed manifest of the cargo from 18th century records supplied by Jorg, Hatcher returned to the site earlier this year and brought up yet more finds; another 7,000 *items of porcelain, two bronze cannon,* and the ship's bell, which he has given to the Dutch Government. Now, 234 years later than expected, the cargo of the "Geldermalsen" is to be offered in Amsterdam, in the biggest auction ever held by Christie's.

Around 150,000 items of porcelain will come under the hammer over five days. Christie's is taking a *tremendous gamble* in trying to dispose of such vast quantities in one mammoth sale. In an average year the Chinese porcelain market has to absorb about 5,000 items of "new" material. But, because of the massive marketing campaign it has *mounted, with the aim of persuading* the affluent public at large rather than existing collectors that they need a piece from "Hatcher," Christie's is optimistic that not only will the cargo be sold, but that prices will usually be above the forecast.

It has aimed the porcelain at various markets. Its great attraction is that it is the type of 18th century blue and white Chinese crockery that the average comfortable family of the time would use, and it retains that appeal today. There are, for example, 40,000 tea bowls and saucers, which have been divided up into some vast lots of 1,000 sets to appeal to the trade (possible price £10,000), to sets of just six tea bowls and saucers, estimated at less than £100. They will definitely fetch more.

At the other extreme Christie's is offering vast services of the porcelain, consisting of everything you would need for a banquet seating 120 people, for around £30,000. It is hoping that major department stores like Bloomingdale's in New York or Seibu in Tokyo, as well as embassies, big corporations, even royal families, might be interested in what (Hatcher willing) must be a once-in-a-life time opportunity. Undoubtedly many people will be putting in tentative *bids for a couple of butter dishes,* a set of plates, saucers, beer mugs, jugs, etc.

Or perhaps they may care for a vommit cup? One of the interesting sidelights from the wreck is the information it provides on 18th century consumer demand. The actual contents on the "Geldermalsen" differ in many respects from what the captain was ordered to buy by his masters in Amsterdam and some of the items are quite bizarre to contemporary eyes. For example, the "vomit" cups, which are there by the hundred, have often been considered by *collectors of Chinese porcelain to be* chamber pots for children: we would probably use them today as soup bowls.

There is also confusion about the jugs. Only a handful of the type had been known before Hatcher; now there are over 100. Were they used to separate *milk from cream? Or to soften bread* in milk in an age with inadequate teeth? Their original purpose may have passed but they will be competed for fiercely next week.

As will some quite unusable items, like the pieces completely encrusted with debris from the sea bed. They may be most sought after as a talking point, *but plates, bowls, and even figures,* sometimes hardly discernible beneath the sediment of centuries, are expected to attract great attention. The 126 bars of gold are another matter altogether. How will historical associations rank against metallic value? With a rising international gold price Christie's expects a healthy premium on estimates. They *are to be sold on Monday night* and this little group alone could make Hatcher $1m richer.

Not that Hatcher will keep all the money for himself. Because Christie's stands to make well over £500,000 from the buyer's premium it charges on the *hammer price (16 per cent in the* Netherlands although British purchasers can claim back the small VAT element) it will not have charged Hatcher its usual commission for selling his cargo —indeed, since it won the contract in fierce competition with Sotheby's it may well have agreed to throw in the lavish catalogue and costly marketing campaign very cheaply.

But even if Hatcher receives most of the proceeds — and now a £5m return is not out of the question — he will have to share it with partner Max de Rahm, brought in last year because of his unrivalled surveying skills (and his wealth). The crew work for Hatcher on "no cure, no pay," which means that after food and keep they are paid only if the expedition is a success, but can expect to take 20 per cent of any reward. *Not surprisingly,* Hatcher has kept his 20-strong team loyal to him for years.

Even after the generous pay-offs Hatcher will be a very rich man. He will spend the money mainly as he has spent his other earnings — on improving his boat and equipment. It is very expensive to acquire the latest gear for prospecting the sea bed — cameras that can show up objects not much bigger than a cigarette packet; sounding equipment which can detect metal. *After Hatcher's successes, and the collapse of the tin price,* the salvagers of the South China Sea have switched to older wrecks, and Hatcher has both to confirm his own reputation and to shake off his competition.

He thinks the "Restless M" is fast enough to lose any snoopers and he is naturally coy about where it is going this summer. Back to the scene of past successes, or somewhere different? There is *talk of a Portuguese merchantman* which went down with jewels and coins. Of one thing he is certain: "I will find a wreck I know nothing about before I come across the one I am actually looking for." In spite of all the research in the historical records, and the purchase of the most sophisticated equipment, luck, and good surveying techniques are still the keys to success.

For the immediate future at least Michael Hatcher has a career — to look for and to excavate more wrecks. He became interested in Chinese porcelain *after the "junk,"* and kept back certain items for his own collection. After a burglary on his yacht he sold off most of them, but he still has some fine items — and he has kept a two-pint beer mug from the "Geldermalsen." He also buys at auction old sea charts and *navigational equipment.*

But he is not the kind of man who *finds pleasure in possessions,* although even here his Yorkshire blood shows through. He might not have a home on solid land but he has invested in property in Australia, the UK and in the US. His one rule of life is: "I'm not allowed to sell real estate to hunt for treasure." *The uncertainties of being* a Barnardo boy show strongly in this need for an inviolate security. Pioneer virtues are evident not only in his hatred of authority, bureaucracy and routine, but in his dislike of drugs: "I would not want to prospect in the Caribbean even though there are some great wrecks there because the region is drug-ridden."

So it is back to the South China Sea *for the "Restless M" which now con*tains capital equipment valued at $4m. "There are thousands of wrecks left and we have only investigated a ten mile area. We are going to concentrate scientifically on a particular site with the most advanced equipment available." At last Hatcher has a regular trade. "I call myself a marine archaeologist on a commercial basis." It is a career in which he has few competitors.

The Long View

Lessons of an inscrutable market

The rise in the yen is squeezing Japan's export markets, but the Tokyo market continues to climb. Anthony Harris explains

ANYONE WHO believes that stock markets are a reliable guide to the future of the real economy should think carefully about the case of Japan. President Reagan, who used to talk as if the exchange rate was some kind of virility symbol, might find it perfectly natural that the Tokyo stock market should rise to new records while the Japanese yen rises 40 per cent against the dollar; but to anyone of a more analytic turn of mind, it is a baffling phenomenon.

Indeed, the rise breaks the ordinary rules of international portfolio investment, quite apart from ignoring the laws of economics. Since the market normally does reflect economic realities, the economics come first.

The basic facts are stark, and will hardly need any embroidery for British readers. The rise in the yen, especially since the Plaza agreement last autumn, has put Japanese exporters under the kind of squeeze which afflicted British manufacturing industry in 1980-81. Japanese industry, it is true, is more resilient than British industry, and is especially good at controlling its wage costs, but even so the combination of cost pressures and slowing growth in Japan's biggest market, the USA, has been pretty devastating.

Japanese export volume, which rose by nearly 16 per cent in 1984, grew by only a little over four per cent last year, and Japan also lost market share to its competitors — a very rare event. The outlook for 1986 is looking considerably worse, with US demand still sluggish and the yen rising to new peaks every day; yet it is only this week that the Tokyo market has begun to take any notice.

The picture does not noticeably improve when you look at it in close-up. For example it is commonly believed that Japan has such a technological lead that its exports are largely *insensitive to price.* History contradicts this; Japanese exports are quite sensitive to price competitiveness, and especially to the rate against the dollar. This is not only because the US is the main market, but because Japan's closest competitors, her Asian neighbours, nearly all have exchange rates pegged to the dollar itself.

Competition from these countries is growing. Japan, *for example, has so far made* something of a hash of its efforts to break into the computer market. In Korea, on the other hand (where Mr Alan Sugar buys his hardware), output has been growing explosively. The Koreans are *not* innovators like the Japanese, *but they are proving* formidable manufacturers.

Of course Japan is playing its full part in the development of financial service industries; indeed the financial sector has been the real driving force of the Tokyo index. However, buying overseas assets with a strong currency is hardly a *recommended strategy* for making money (though peculiar Japanese accounting rules seem to banish the consequent portfolio losses into the footnotes).

These facts may look surprising to English-speaking readers used to reading about Japan's ever-higher trade surplus; readers who may even have *seen figures suggesting* that Japanese exports *in dollars* are still buoyant. The odd thing is, though, that the Japanese are thoroughly familiar, with the story, for they naturally think in yen.

How is it, then, that the market can rise to new highs? Even London portfolio managers who visit Japan regularly *admit themselves* baffled, especially by the recent recovery in the share of export-dependent industries. But they do offer one or two plausible guesses. One explanation is psychological, the other is *monetary—and they could both* apply outside Japan.

The psychology is to some extent peculiarly national. The Japanese picture of the world has for generations been haunted by a feeling of vulnerability. A hundred million industrious people live on a crowded, rocky chain of islands with few natural resources. The military expansionism which ended at Hiroshima ruled out an *imperial solution, but it did* nothing to make the Japanese *feel secure, and so the Opec oil* shock was more severe there than anywhere else. The collapse of oil and other commodity prices has for the time being ended a Japanese nightmare, and they are celebrating.

Of course the picture looks different in other countries, especially in Britain; but equally there is certainly an oil *factor in the world-wide stock* market boom. Our own infla*tionary nightmare* has subsided, and seems to have blinded many investors to the *fact* that inflation has subsided because world demand is weak. Not falling, but still not strong.

The other factor is much more general: the sheer weight of money. The world is *quietly but determinedly* trying to print its way out of a debt crisis. Japan is playing its part in an effort to keep in step with the Americans in driving interest rates down, and so limit the appreciation of the *yen.*

In these days of highly *mobile capital,* no country is immune from this generalised financial inflation. As central bankers will explain this is no more than a correction of the dangerous *tightness and exces*sive real interest rates which *were needed to conquer in*flation; I do not believe that it is dangerous in itself. It will become dangerous if bull markets develop too strong a *life of their own and lose all* touch with the fairly *lack*lustre real prospect before us.

Finally, foreign investors *may have played a part in the* Tokyo paradox by investing for *the exchange rate gain.* This is a very short-run strategy; in the long run equity markets have a way of looking straight through exchange rates to the underlying flow of real earnings. Exchange rate speculators should go for bonds, not equities, and remember that although markets can be subject to violent mood swings, *they are still, at bottom,* rational. Indeed, after a sobering week in London, Tokyo is not the only market where bonds look relatively attractive.

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Bad case of wobbles makes buyers wary

REACHING for the dusty old book of City folklore this week it had to fall open at the "Sell in May and go away" maxim. The phrase hardly epitomises fundamental investment analysis techniques but it is hard to argue with historical precedent that the market tends to fall in the summer. The drop may not neatly fit directly into the month of May but the theme is consistent.

So devotees of the "May concept" have heralded this week's fall as the beginning of the summer setback. Certainly equities have had a rough ride over the last five days. Prices tried to rally first thing yesterday morning but the FT-SE Index quickly shed the early morning gain.

Dealers looking for an example of how reluctant the buyers had become only had to turn to Unilever where, in spite of the efforts of two leading broking houses, a line of £20m shares could not be placed.

Perhaps that highlights the subtle change that should be made to the time tested phrase. It could be unwise to sell this May but there is not much reason to be buying either. How far the market may ease over the next few weeks is almost anybody's guess. There are a few stale bears who would like to see the All-Share back down to 750 just to prove a point. But there is a very good chance that there will be better buying opportunities this summer than there is at present. Indeed if the market drops fast we might have to start talking about "Buy in May."

The first quarter figures from ICI did not provide much support for a wobbly market. A 24 per cent fall to £204m pre-tax was right at the bottom end of expectations — the analysts had got the trends right but they had not foreseen exactly how much damage a weak oil price can cause.

The collapse of oil prices has obviously hit on ICI's oil production profits but its effect has been much wider. Depending on accounting treatment, the group faced oil-inspired stock losses of around £30m in the period. And while lower input prices would appear to be good news, ICI, like many other European majors, has not significantly reduced its selling prices so customers have understandably stood back and destocked in the expectation that prices will crack eventually. Finally agricultural chemicals have come under a great deal of pressure, only partly because of the lateness of the season.

Some of those factors should improve in the second quarter but there are so many uncertainties that the once-bitten analysts are twice as shy about their full year forecasts. Pricing obviously remains critical at the commodity end of the business and exchange rate movements could equally wreck full year expectations. The fall in the dollar may have accounted for almost half of the first quarter's £63m setback.

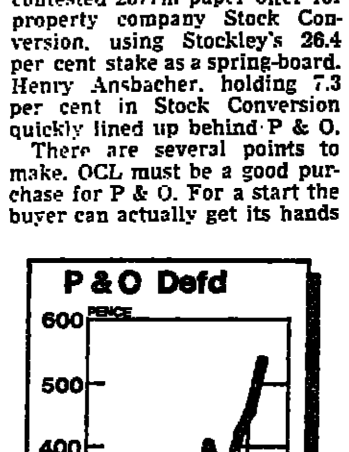
For the moment fine-tuning of full year expectations seems a bit pointless; however, most

London

forecasts are bunched around the £880m mark compared to £912m and earlier predictions of £1bn. Even those numbers demand a prospective earnings multiple of a little over 10 may look attractive on a medium to long-term view but the stock is not going to be overwhelmed by buyers for a while yet.

On the bids front P & O stole most of the limelight. On Thursday it agreed to pay £149m for the 53 per cent it did not already own in Overseas Containers (OCL) and made a contested £377m paper offer for property company Stock Conversion, using Stockley's 26.4 per cent stake as a spring-board. Henry Ansbacher, holding 7.3 per cent in Stock Conversion quickly lined up behind P & O.

There are several points to make. OCL must be a good purchase for P & O. For a start the buyer can actually get its hands



on the container group's cash flow—a not insignificant £90m last year—and full control fits in with the ambition to build a leading transport and property empire.

In placing its 13 per cent stake in Ocean Transport (one of the sellers of OCL) P & O dismisses thoughts of a bid for that company but it could be wrong to assume that Sir Jeffrey Sterling might not be tempted to bid for European Ferries at some point.

As for the Stock Conversion bid, the defence may find itself in a corner without much ammunition. If it can squeeze out an asset revaluation of 850p a share—which would need an optimistic assessment—then P & O might be inclined to add 30p or so to its 720p bid—but not a lot more.

Meantime Stockley emerges as a very lucky participant in the play. It had got into a bind with its holding in Stock Conversion without any chance of an agreed deal while the slip in the price left the company sitting on a book loss. Now Stockley extricates itself with a £9m profit.

Not many weeks pass by of late without a bid in the engineering sector and this time it was the turn of APV, a long running bid candidate, to come under a £182m paper offer from Siebe. It looks like a knockout offer though APV is not going down without a fight.

Siebe is using convertible preference shares to make its bid and the defence is bound to question the valuation of £1 a share that the bidder has hung on the 25p convertibles. So there will be a squabble which may result in Siebe throwing in a cash alternative though it would probably be loath to do so.

That aside this looks like a neat purchase for Siebe if it can win. APV has already done much of the spadework in turning itself around and if Siebe can accelerate the recovery and squeeze a margin of 10 per cent on sales within a couple of years, APV will look like a snip, even on an historic multiple of 24.

In the investment trust sector there is never a shortage of would-be buyers of under performing assets, whether outside predators or cannibalistic insiders. On average the sector gets depleted by six or seven bids a year and has done since the '70s bear market but recently the bids have become bigger.

British Empire Securities, which has come from virtually nowhere when Imperial Life Assurance Company of Canada bought in and grasped management control at the beginning of 1984, is one of the aggressive insiders of the sector, sporting a rating that makes it keen to use its paper.

This week it clinched an agreed £66m bid for Ashdown Investment Trust financed with a cocktail of bank debt, debentures and some new equity.

So what next? The trust has a 27.1 per cent stake in Wemyss which has been rumoured as a target for years but any bidder there will have to clear the hurdle of the family's tax considerations. Nobody has yet come up with a scheme that satisfies all—but that does not mean it cannot be done.

Terry Garrett

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1986 High	1986 Low	
FT Ordinary Index	1,357.9	− 45.2	1,425.9	1,094.3	Interest rate worries/ICI disappoint
APV	550	+205	600	245	Bid from Siebe rejected
Associated Heat Services	455	+110	455	333	Bid approach from French group
Bejam	179	+ 22	180	146	Bid speculation
Cauvermoor	92	+ 32	93	50	Agreed bid from Cadbury Schweppes
Courtaulds	265	− 17	315	191	Market trend
Davies and Newman	185	− 37	225	178	Poor preliminary results
Ford (Martin)	72	− 33	133	50	Adverse comment
Glaxo	983	− 67	£11¼	756	Market trend
Hambros	253	− 62	315	162	Fading takeover hopes
Hambro Trust	338	+ 45	360	185	Bid from parent company
ICI	920	− 44	£10	727	Disappointing first-quarter results
Next	265	− 27	294	188	Broker's bearish circular
Rank Organisation	525	− 32	577	420	De Zoete and Bevan downgrade profits
Rotaflex	312	+107	312	162	Bid from Emess Lighting
Sirdar	178	+ 23	180	133	Revived takeover speculation
Standard Chartered	812	− 61	895	420	Adverse comment on Lloyds bid
Trusthouse Forte	168	− 19	208	146	Tourist trade worries
Vickers	458	− 50	540	296	Market trend
Wimpey (Geo.)	187	+ 18	190	120	Pleasing annual results

How to spot the winners

FOR EVERY USM flotation there is a prospectus, and the upsurge in new issue activity is bringing a corresponding flurry of glossy publications from the sponsors.

Many investors, particularly private ones, have to base their decisions on whether to buy into a flotation almost entirely on what they read in the prospectus, so clearly for both company and investor, the document is vital.

How, then, is a company judged by its prospectus — and is there a knack to spotting the winners and losers among them?

Caution is needed over even the most obvious points. For example, a company might appear to have a successful product in a growth market. If the market is fashion-led, however, the craze could be here today and gone tomorrow, with a consequent slump in profits.

One-product companies should also be handled with care: the more attractive their niche, the more likely it is that a me-too competitor will come along and undercut them.

Everyone likes to see good, steady earnings growth in a prospectus and any hiccups will need to be fully explained.

A sudden upsurge in profits —especially in the year immediately preceding the flotation — should be questioned. Has it been accompanied by similar growth in turnover? If not, one-off factors such as an improvement in efficiency or a cut in borrowings may be responsible and the growth may be hard to sustain.

The professionals spend a good deal of time going through the profit and loss account, balance sheet and source and application of funds statement working out the usual ratios, but they also get a feel for the company from the other pages of the prospectus.

Geoffrey Douglas, head of the USM research team at brokers Hoare Govett, tends to read the prospectus back to front.

"I like to read the small print first," he says. "The sort of things I look for are whether there is any restriction on the directors selling their shares immediately after the flotation, which there should be, or whether the costs of bringing the company to the market are abnormally high, which might suggest the flotation had run into problems." Over £300,000

USM
UNLISTED SECURITIES MARKET

for a placing might raise an eyebrow.

"Outstanding litigation is something to watch out for, and I don't expect to find boats and villas in France tucked away in the notes to the accounts: these may be common with private business, but by the time a company comes to the market you expect them to have been cleared away."

Switching to the front of the prospectus, it is always reassuring to see well-known and reputable firms acting as sponsors, brokers, accountants and auditors. A company using less well known names may have good reasons for doing so —an attempt to save money, for example—but it might also have been turned away by the blue-bloods.

The management structure is clearly of vital importance. Investors should be looking for experienced executives and managers who have been with the company a long time. Last-minute arrivals or departures can be a warning signal, and if the older directors are approaching retirement age their successors should already be apparent. A company coming to the USM also needs a finance director—particularly if it is talking about acquisitions, as nearly all newcomers do.

Another basic point to watch is what proportion of the shares is being sold by the company and what proportion by the existing shareholders. "It is quite understandable for the shareholders to want to realise part of their investment at the time of the flotation, but it does not inspire confidence when they are the sole beneficiaries."

As Mr Douglas says: "If the directors are all 65, there is no secondary management, no money is being raised for the company and the sponsors are Bloggs and Biggs, it might throw up a question mark about the company's motives in coming to the market."

Andrew Holland, a USM analyst at Fielding Newson-Smith, likes to know just what a company is proposing to do with the proceeds from its flotation. "Many use the funds simply to cut their borrowings and increase working capital, which is quite acceptable and helps buoy up the next profit and loss account; but if the company is also talking about making acquisitions, it could be back in debt again quickly."

Although it is rash to judge a book by its cover, Richard Dale of brokers James Capel points out that a prospectus has to be well-presented if the flotation is going to be a success.

"The prospectus is an important marketing tool for a company. If it is a dull and ugly piece of paper, no one is going to take any notice. It had to be reasonably interesting if the City is going to look at it."

Richard Tomkins

Currency hitch for Wellcome

INTERIM figures from WELLCOME are almost certain to be shrouded in currency translation calculations. While the City is looking for £60m against £70.5m last time round, this latter figure can be represented as closer to £55m if restated to allow for exchange movements.

However, with sterling still strengthening against a weak dollar, the outlook for the year in absolute terms is for a flat performance vis-a-vis 1985's £122m total.

Wellcome's share price is less determined by such factors than by the shortage of stock and the anticipation of earnings from AZT, one of the most promising AIDS treatment drugs in the pipeline, currently undergoing clinical trials in the US. Results should come out late this year.

In trading terms, however, the star performer looks likely to be Zovirax again. With many of the variants on this product theme only coming on to the market in 1985, there are still good gains to come.

BLUE CIRCLE'S preliminary results for 1985, due on Tuesday, are bound to surprise some, with forecasts stretching from as little as £103m to over £125m, compared to £113m in 1984. Most analysts are expecting a switch from year-end to average exchange rates, which could improve profits by about £13m, while UK redundancy costs of about £6m are likely to be taken above the line.

In the UK, cement manufacturing was depressed by a poor winter by the after effects of the miners' strike, and by the late commissioning of the Cauldon and Dunbar plants.

Overseas the results have been mixed: conditions in the US cement market remain hard going, while subsidiaries in Malaysia and South Africa have already reported poor results. However, the Latin American companies should have done much better last year, and their profits will do particularly well from the change to average exchange rates.

Hong Kong has been a-buzz with rumours regarding INCHCAPE but so far nothing has broken through. On Monday

Results due next week

£60m is the broker's target although overseas currency movements are notoriously difficult to forecast precisely.

In 1984 the total was £78.9m. While the drop is partially cosmetic, £14m being due to exchange rates, it will certainly not discourage an ardent suitor.

Also on Monday, Inchcape's Malaysian unit is due to report its results and this could see a major effort to maximise losses given changes in Singapore's tax regime.

Low tea prices and reduced Middle East activities in addition to the tax-motivated moves at Inchcape Berhad do not make a happy recipe for the parent. Recent managerial changes may need to be plugged for all they are worth to restore confidence in one of the market's laggards.

Lower profits from Tate and Lyle's Canadian unit, Redpath, have led to a fall in expectations for the group's interims due on Wednesday. Now the City is looking for £40m (against £31.5m) with the main gain coming from a return to profits in sugar trading.

Under the complex circumstances, Berisford and all, Tate can be expected to pull out every stop to produce a good set of figures this time. However, currency factors are running against the group as the year progresses, more so in the second half.

However, most money is currently on Hillsdown and the prospect of a drift downwards of forecasts for the year's total does not bode well.

When WARD WHITE announced its plans to acquire Payless last month it gave the market a sneak preview of the year to January's profits by promising no less than £25m pre-tax (including an expected £4m gain from property sales). Last year the total was £13.5m and there were no property gains.

The board has also promised a final dividend of 4.55p, making a total of 6.5p (5.694p) for the year.

The group has grown a great deal in the last year, acquiring Zodiac, Owen and Owen, Maynards and finally, just over a month ago, paying £94m for Payless.

Halfords has shown strong growth since it joined the group in late 1984 whereas the longer standing footwear businesses on both sides of the Atlantic have been more pedestrian.

Some analysts fear that Philip Birch, group chairman, may have been spending rather too freely to build up his retailing base. Any announcement that Ward White was going to spend the next year absorbing and getting the best out of its purchases will go down well with a slightly sceptical market.

As oil prices wobbled all over the place during the first three months of the year, forecasting Tricentrol's first quarter results involves a certain amount of guesswork. Most expectations for net income fall into a band from about £3m positive to a negative £3m, compared to £7.9m in the first quarter of 1984.

After recent rumours that Tricentrol is about to pull out of exploration and production altogether, the market is far more concerned about the company's future intentions than about the outcome of its first quarter figures. The market hopes that Tricentrol will use the occasion of the results, which coincide with its agm, to amplify the denial put out this week. Even after its massive spending cuts the company faces a large cash outflow this year which will take its already high gearing to dangerous levels. Hardly surprisingly, investors are worried.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 29%	45%	60%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawals (days)
CLEARING BANK*								
Deposit account	5.00	5.12	3.97	2.88	monthly	1	—	7
High interest cheque	7.60	7.82	6.06	4.41	quarterly	1	2,500 minimum	0
3-month term	6.88	7.06	5.47	3.98	quarterly	1	2,500-25,000	90
BUILDING SOCIETY†								
Ordinary share	6.00	6.09	4.72	3.43	half yearly	1	1-250,000	0
High interest access	7.75	7.75	6.00	4.37	yearly	1	500 minimum	0
High interest access	8.00	8.00	6.20	4.51	yearly	1	2,000 minimum	0
High interest access	8.25	8.25	6.39	4.64	yearly	1	5,000 minimum	0
High interest access	8.50	8.50	6.58	4.79	yearly	1	10,000 minimum	0
90 day	8.25	8.68	6.72	4.89	half yearly	1	500 minimum	90
Premium	8.42	8.69	6.73	4.90	quarterly	1	10,000 minimum	90
NATIONAL SAVINGS								
Investment account	11.50	8.17	6.33	4.60	yearly	2	5-50,000	30
Income bonds	12.00	9.00	6.97	5.07	monthly	2	2,000-50,000	90
31st issue‡	7.85	7.85	7.85	7.85	not applicable	3	25-5,000	8
Yearly plan	8.19	8.19	8.19	8.19	not applicable	3	20-200/month	14
General extension	8.52	8.52	8.52	8.52	yearly	3	—	8
MONEY MARKET ACCOUNTS								
Money Market Trust	8.24	8.41	6.52	4.74	half yearly	1	2,500 minimum	0
Schroder Wagg	7.76	8.04	6.23	4.53	monthly	1	2,500 minimum	0
Provincial Trust	8.22	8.54	6.62	4.81	monthly	1	1,000 minimum	0
BRITISH GOVERNMENT STOCKS§								
7.75% Treasury 1985-88	8.47	6.20	4.94	3.77	half yearly	4	—	0
10% Treasury 1990	8.60	5.79	4.23	2.78	half yearly	4	—	0
10.25% Exchequer 1995	8.75	5.94	4.39	2.94	half yearly	4	—	0
3% Treasury 1987	6.94	6.04	5.54	5.08	half yearly	4	—	0
3% Treasury 1989	6.63	5.71	5.20	4.72	half yearly	4	—	0
Index-linked 1990¶	7.70	7.11	6.61	6.15	half yearly	2/4	—	0

* Lloyds Bank. † Halifax. ‡ Held for five years. § Source: Phillips and Drew. ¶ Assumes 4 per cent inflation rate. 1 Paid after deduction of composite rate tax, credited as net of basic rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Aberdeen Construction	Thursday	2.2	5.05	2.3
Albany Investment Trust	Monday	0.8	1.2	1.0
Allebone and Sons	Monday	0.25	1.25	0.25
Bardsey	Tuesday	—	—	—
Barham Group	Tuesday	—	—	—
Barr and Wallace Arnold Trust	Wednesday	2.0	5.0	2.0
Blue Circle Industries	Tuesday	6.0	13.0	7.0
Britannia Arrow	Friday	1.1	1.4	1.2
Cooper Industries	Wednesday	0.4	0.45	0.4
Costain Group	Wednesday	2.5	6.0	3.0
Ecobric	Thursday	4.657	—	—
Edinburgh Oil and Gas	Wednesday	—	0.15	—
Edmond Holdings	Friday	—	—	—
Fleming Far Eastern Inv. Trust	Thursday	0.15667	0.23333	0.2
Fosseco Minsep	Wednesday	2.9	5.2	3.0
FR Group	Wednesday	1.1	2.05	1.35
Gee, Cecil	Tuesday	—	—	—
Highcroft Investment Trust	Tuesday	0.8	1.15	0.9
Hopkinsons Holdings	Tuesday	1.3	4.15	2.0
Inchcape	Monday	—	—	—
Jacques Vert	Monday	7.15	11.0	7.15
Jersey General Investment Trust	Wednesday	5.25	8.0	5.75
Liberty	Friday	2.0	5.2	2.0
Lilley, F. J. C.	Thursday	1.2	2.44	1.8
London United Inv. Trust	Wednesday	5.0	8.0	6.0
Norscot Hotels	Monday	1.0	2.0	—
Ropner	Tuesday	2.25	4.0	—
Slingsby, H. C.	Wednesday	3.0	2.6	1.5
Tarmac	Tuesday	2.5	3.0	2.75
Tootal	Tuesday	1.29	1.87	1.5
Viking Resources Trust	Monday	0.5	0.85	0.56
Wadkin	Monday	1.0	1.6	1.0
Ward White	Monday	1.986	4.0	—
Wingate Property Investments	Monday	0.5	1.2	0.5
Yule Catto	Tuesday	2.25	3.75	2.5
INTERIM DIVIDENDS				
Burgess Products	Tuesday	0.6	1.5	
Jessups	Wednesday	1.25	2.75	
Lowland Investment	Tuesday	1.0	1.75	
Prestwick Holdings	Friday	—	0.7	
Redfearn National Glass	Tuesday	2.1	2.6	
Samuel Properties	Thursday	—	—	
TMD	Monday	—	—	
Tricentrol	Wednesday†	—	—	
Webster Group	Monday	—	—	
Wellco Holdings	Thursday	—	—	
Wemyss Investment Trust	Thursday	—	—	
Westminster Independent Hospital	Tuesday	8.0	14.0	

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. † First quarter figures.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND DEALS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
Prices in pence unless otherwise indicated.					
Addison Page	248‡	240	250	40.36	Chetwynd Streets
APV	575	550	350	181.8	Siebe
Berisfords	140§	140	112	7.67	Allied Textile
Berisford (S. W.)	254	248	230	486.31	Hillsdown
Biddle Hldgs	160*	160	165	6.40	Kone (UK)
Burnett & Hallam	20	21	22	7.74	Anglo Utd Dev
Bush Radio	142‡	146	158	13.39	Prestwich Hldgs
Chart Elks Lynch	131	129	90	5.21	Cowan de Groot
City & Forgn Inv	120§	128	115	4.80	Harvard Secs.
Clive Discount¶	50*	49	47	11.95	Bache Group
Ctry Gentlemans	940§	£10¼	775	6.94	Bestwood
Ctry Gentlemans	998†	£10¼	775	7.38	Fredericks Place
Cope Allman¶	360†	368	282	81.23	Hawley Group
Distillers¶	669§§	652	627	2.430bn	Guinness
Dixon (David)	351	338	325††	6.38	Gelfer (A. J.)
Extel Group	400a	396	370	169.86	Demerger Corp
Hambro Trust	340a	338	290	51.14	Hambros
Haslemere Ests¶	640*§	635	505	188.62	Rodamco Prop
Home Charm¶	332	330	333	142.12	Ladbroke
Imperial Group¶	313§§	327	291	2.367bn	Hanson Trust
Kenning Motor	234	222	173	98.58	Tozer Kemsley
Martonair Intl¶	685	645	525	89.17	IMI
Marshalls Unvrsl	79	80	82†	14.83	British Syphon
MCD¶	195	198	198	34.07	Crowther (J.)
McKechnie Bros	245	246	222	147.50	Evered
Moss (Robert)	139	133	97	27.06	Bunzl
Newman Tonks	187§§	140	96	58.60	McKechnie Bros
Our Price	607	610	575	39.64	Smith (W. H.) A
Pegler-Hattersley	579§	580	472	176.95	Tomkins (F. H.)
Promotions Hse¶	35	34½	23	8.77	WPP Group
Protimeter	63*	59	47††	4.76	Bowthorpe
Raybeck	47‡*	42	44	17.43	Legibus 687
RFD Group	185	180	120	25.22	Wardle Storeys
Rotaflex	285	312	210	31.52	Emess Lighting
SGB Group	352‡§§	346	324	150.52	Mowlem (J.)
Shaw Carpets¶	26	26	29	4.63	Lamont Hldgs
Staffs Potteries	140	139	122††	7.88	Coloroll
Staffs Potts Pref	350	134	255††	5.62	Coloroll
Stndrd Chartered	750§§	812	873	1.167bn	Lloyds Bank
Stndrd Fireworks	146§§	138	135	8.21	MY Dart
Stock Conversion	724	702	705	399.81	P & O
Woolworth Hldgs	688	840	633	1.534bn	Dixons Group
W. W. Group¶	336	340	255	8.36	Crowther (J.)

* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not already held. ¶ Unconditional. ** Based on April 25 1986. †† At suspension. §§ Shares and cash. ¶¶ Related to NAV to be determined. ‖‖ Loan stock. ‡‡ Suspended. ‖ Swedish kronor. a Cash offer; alternative paper offer made.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Ashley, Laura	Jan	17,960	(14,140)	6.3	(4.9)	1.0	(—)
Assam Dooars	Dec	614	(401)	45.9	(28.7)	9.0	(9.0)
ATA Selection	Dec	596	(—)	3.7	(—)	0.9	(—)
Austin Reed	Jan	5,000	(4,280)	12.9	(11.0)	5.5	(4.5)
Bank of Scotland	Dec	96,200	(80,678)	46.1	(41.3)	14.0	(14.0)
Bosse Massimi	Dec	3,900	(2,580)	16.1	(7.7)	4.5	(3.5)
BPCC	Dec	25,530	(37,860)	18.5	(29.6)	12.9	(11.0)
Bramall, C. D.	Dec	3,300	(2,680)	37.5	(27.3)	7.77	(6.7)
Brent Walker	Dec	3,760	(2,100)	13.8	(8.9)	4.0	(—)
Campari Intl	Nov	494L	(2,850)L	—	(—)	1.0	(1.0)
Centreway Ind	Dec	619	(58)	2.8	(0.7)	—	(0.1)
Cussins Prop	Dec	1,370	(1,320)	20.7	(18.8)	6.0	(6.0)
Davies & Newman	Dec	1,050	(3,120)	6.9	(33.2)	10.0	(9.09)
Ellis & Goldstein	Feb	4,060	(3,550)	8.1	(7.3)	2.45	(2.13)
England, J. E.	Dec	28	(17)	0.5	(0.3)	—	(—)
Folkes Group	Dec	2,150	(1,640)	4.2	(3.2)	1.4	(1.3)
George Wimpey	Dec	46,900	(38,200)	15.0	(12.1)	3.75	(3.25)
Grampian TV	Dec	1,670	(1,237)	6.9	(4.4)	2.0	(1.66)
Hammrsn UK Grp	Dec	8,940	(6,370)	27.8	(21.1)	—	(—)
Hartons Group	Dec	1,890	(1,629)	3.3	(3.4)	1.27	(1.16)
Henara	Dec	1,270	(1,220)	6.8	(7.0)	2.83	(2.8)
Horne Bros	Aug	367	(2,360)L	77.0	(—)	—	(—)
James Neill	Dec	1,230	(826)	23.9	(16.8)	7.0	(4.75)
Jitra Rubber	Dec	184	(126)	1.2	(0.8)	0.7	(0.55)
Lilleshall Co	Dec	172	(169)	6.4	(6.4)	2.25	(2.0)
Microlease	Feb	606	(703)	13.1	(18.1)	4.0	(3.0)
Morgan Crucible	Dec	18,700	(15,500)	17.6	(15.9)	8.5	(8.0)
Moss Bros	Jan	1,200	(1,020)	25.0	(20.6)	5.75	(5.0)
Newarthill	Oct	16,500	(16,360)	49.5	(65.7)	16.0†	(11.0)
Norman Hay	Dec	381	(577)	6.3	(7.8)	3.75	(3.75)
Office & Elec Mach	Dec	2,540	(1,940)	24.2	(18.1)	8.5	(7.5)
Paul Mich Leis	Dec	54L	(298)	—	(2.3)	—	(1.25)
Perry Group	Dec	3,560	(3,500)	11.1	(10.7)	4.5	(4.25)
Polymark Intl	Dec	8	(102)L	—	(—)	—	(—)
Scott & Robertson	Dec	1,110	(1,020)	11.7	(11.9)	2.7	(2.5)
Sing-Para Rubber	Dec	269	(466)	1.8	(1.9)	0.9	(1.1)
Smallshaw, R.	Dec	411	(310)	11.02	(8.86)	2.75	(2.5)
Snowden & Bridge	Jan	1,000	(704)	9.2	(6.4)	1.0	(—)
Spear, J. W.	Dec	884	(858)	12.34	(11.03)	6.0	(4.0)
TV Serv Intl	Dec	803	(528)	7.0	(6.1)	2.0	(1.5)
Travis & Arnold	Dec	8,240	(9,360)	28.6	(30.6)	8.52	(7.92)
Western Dooars	Dec	317	(210)	23.7	(13.5)	6.0	(6.0)
Whatman Reeve	Dec	5,610	(4,620)	14.2	(11.1)	2.45	(2.0)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
All Lon Prop	Dec	1,440	(1,200)	0.18	(0.16)
Casket, S.	Dec	571	(576)	0.8	(0.8)
Chrysalis	Dec	2,420	(—)	2.0	(—)
Cosalt	Mar	523	(249)	1.25	(0.75)
Cradley Print	Dec	482	(474)	—	(—)
Gleeson, M. J.	Dec	2,460	(2,060)	1.65	(1.5)
Hoggett Bowers	Dec	462	(306)	0.63	(0.5)
Klark-Technic	Jan	451	(640)	0.4	(—)
Kwik Save	Mar	18,580	(15,390)	1.8	(1.4)
Wm Low	June	3,020	(2,880)	4.5	(4.0)
Lyles, S.	Dec	260	(214)	2.75	(2.5)
Pineapple Dance	Jan	68L	(197)L	—	(—)
Pochins	Nov	352	(333)	4.0	(4.0)
Rosehaugh	Dec	1,610	(1,250)	—	(—)
SAC Intl	Dec	703	(481)	0.65	(—)
Scot Met Prop	Feb	3,320	(3,300)	1.8	(1.7)
St Ives Group	Jan	3,950	(2,520)	3.0	(—)

(Figures in parentheses are for the corresponding period.)

*Dividends are shown net pence per share except where otherwise indicated. † Includes a special 5p dividend. L Loss.

RIGHTS ISSUES

President Entertainments—To raise £4.8m through a one for three rights issue at 108p.

Rosehaugh—To raise £58.9m through a one for three rights issue at 500p.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Debfor Hldgs—USM placing of 18.6 per cent of issued share capital or 1.537m shares on the USM.

EPIC—Placing £11.5m 10 per cent first mortgage debenture stock 2001 at £98.146.

Great Portland Estates—Placing £20m 9¼ per cent mortgage debenture stock 2016.

Green, Ernest—USM placing of 2.12m shares at 120p.

Splash Products—USM placing of 1.6m shares at 72p.

Exit Flick, with thunder off

A CLAP of thunder naturally drowns the sound of steady drumming for a time. So it was this week when Feldmühle Nobel burst onto the West German stock market scene with the biggest post-war volume for a new issue. But amid all the reverberations from this spectacular debut, it is worth recalling that a lot of (often medium-sized) German companies have been "going public" in the past few years, and there are more candidates waiting in the wings.

Feldmühle Nobel was bound to cause a major stir. For one thing, the issue volume of almost DM 2bn (7m DM 50 nominal shares at DM 285 apiece) not only far surpasses that of the biggest recent bourse entrants, Axel Springer (publishing) and Nixdorf (computers). It even exceeds the DM 1.8bn volume of all new issues together last year.

What is more, the Feldmühle Nobel issue could easily have been even *bigger*. Investors gobbled up the available shares eagerly and would surely have done so if the initial price had been DM 300 or more.

Apart from that, the flotation excited special interest in advance because of the Flick connection. Friedrich Karl Flick, the highly controversial industrialist, sold off almost all his empire to Deutsche Bank late last year for around DM 5bn. The bank promptly raised more than that sum alone by disposing of Flick's former stakes in Daimler-Benz and W. R. Grace, the diversified US chemicals concern. That left the Flick "core" industrial companies, Dynamit Nobel, Feldmühle and Bederus. It is these *under the Feldmühle* Noble holding which the bank has now sold to the public for nearly DM 2bn.

No computer is needed to calculate that the Deutsche is making a handsome profit from the deal—but Flick hardly has cause for complaint, either. Already one of the world's richest men, he will receive a "bonus" from the Deutsche because the sales revenue finally netted by the bank markedly exceeded the sum he was *promised* initially.

Flick has thus left the German industrial scene with, as it were, a clap of thunder and amid a hail of D-marks. Stock market

Frankfurt

investors can hardly expect such excitement often, but they *can look forward* to a fairly steady stream of new issues in coming months. Few of them are household names but many offer interesting chances to diversify away from the standard "blue chips."

One of the best known, the big retail chain Alfred Massa with around DM 4bn in annual sales, is about to offer a nominal *DM 23m worth of non-voting* preference shares. Other imminent newcomers include Oberland Glas (one of the country's biggest hollow glassmakers), Escada (clothing), Traub (machinery) and Puma (*sports equipment*). *Further* down the road come Co-op, the food retailer, and eventually a likely bevy of entrants from the venture capital scene (such as Kopp, a buoyant supplier of specialist services for pipeline construction).

Most of these will be small issues, but the volume will be swelled this year by the centre-right Government's steps to sell off some state holdings to the public. Unfortunately, Lufthansa, the airline, is no longer on the list because of opposition to the sale from one of the Government coalition partners. But the Grernment will offer 40 per cent (DM 232m) of the capital of VIAG, *the energy, aluminium* and chemical enterprise, to the public in June. Also foreseen is a shedding of state holdings in a *major geo-physical* exploration company, Prakla-Seismos, and two banks.

Feldmühle Nobel *alone* has guaranteed that new issue volume in 1986 will be far above that of recent years (*DM 1.8bn with 12 new entrants* in 1985, DM 1.7bn in 1984 with more than a score, and just *DM 319m in 1983, also with 12.* DM 319m in 1983, also with 12). But how have those investors *fared who pounced on the* bourse "debutantes."

There have been relatively *few disastrous flops and a* handful of unusually strong performers, among them Zanders Feinpapiere, Sinn, Moto Meter, and Trinkaus und Burkhardt. Many issues have been heavily over-subscribed *and buyers seem not to be put* off even by a high issue price. For example, the shares of *Hugo Boss, the male fashion* group, were snapped up when they became available at DM 815 *last year* — and in mid-April they have been trading merrily at over DM 1,550.

That rosy picture must, of *course, be set in context of a* stock market boom which has been more or less continuous *since the summer of 1982. How* long will the upswing last, and how will the "newcomers", fare in a downturn? All one *can say is that the market* has shrugged off its early-year blues and the economic environment (*stronger growth* with virtual price stability) speaks for further gains.

At this level of the cycle, investors *clearly* need to be more cautious and selective—but at least they are getting a *broader offering* of shares from which to take their pick.

Jonathan Carr

Bullish euphoria starts to wane

THE WEEK began on Wall Street with share prices hitting new peaks in the wake of last *Friday's half-point* cut in the discount rate. But by mid-week there were clear signs that the bullish *euphoria of recent weeks* was waning as investors watched the dollar slip to new post-war lows against the Japanese yen on three consecutive days.

Lee Iacocca, the irrepressible chairman of Chrysler Corporation, the third-ranking US carmaker, let the cat out of the bag on Tuesday when he said that James Baker, the US Treasury Secretary, had told him the dollar might drop to 150 against the yen. Although Mr Iacocca said later he had been jesting, the dollar slipped below the Y170 level and fell to a mid-week low in the Far East of $167.85. A year ago the dollar was trading at Y250 and while it managed to stage a modest recovery towards the end of the week the financial markets remain nervous.

The seven-month-old rally on Wall Street, which by Monday had added 558 points to the Dow Jones Industrial Average (DJIA) — an increase of 43 per cent — began after Mr Baker's celebrated initiative to drive the dollar down last September. Since then, the dollar has dropped by around 16 per cent on a trade-weighted basis; and, helped by oil prices which have dropped from over $33 a barrel to less than $13 a barrel this week, the financial markets have enjoyed an historic rally, the likes of which have probably never been seen before.

However, this week, there are signs that there has been a definite change in mood. The week began with Merrill Lynch's market letter indicating that its near-term target for the Dow was 2,000 and Joseph Barthel, director of research at Butcher & Singer, the Philadelphia brokerage firm, saying the Dow would be around 2,040-2,060 by mid-June. While analysts remain generally bullish, the mood has changed from positive to cautious as investors "try to protect profits rather than seek additional ones," says Oppenheimer's Michael Metz.

The drop in the dollar has

Wall Street

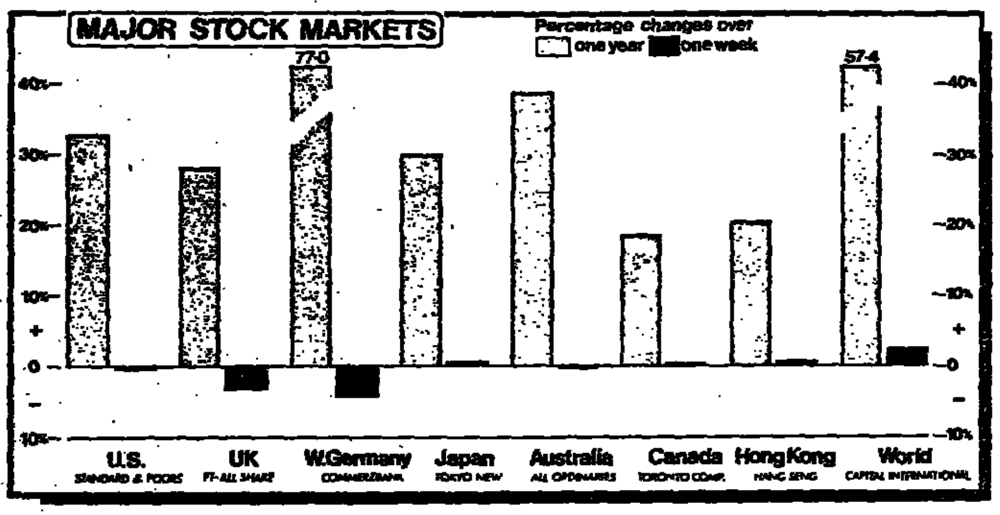
definitely spooked the credit markets, where traders have been hit by a dramatic sell-off. The Bellwether long bond, US Treasury 9¼ per cent, due 2016, plunged by close to eight points in three days and by Thursday evening was being quoted at a shade above 119. Its yield has risen by around 50 basis points to 7.6 per cent; and despite Monday's round of US bank prime rate cuts to 8.5 per cent, short term interest rates have risen by over 30 basis points with six month US Treasury bills now yielding well above 6 per cent again.

Barton Biggs, Morgan Stanley's stock market guru, *says there is* "a real potential for a vicious circle" developing, where a falling dollar frightens away foreign investors and forces the Federal Reserve to raise interest rates to protect the dollar.

Given the blood-letting in the credit markets this week, US equity prices have held up surprisingly well, which makes some analysts wonder whether the close links between the two markets may be weakening. Perhaps it is possible to have strong equity prices despite a weak bond market, argue the inveterate bulls.

Stock market technicians continue to be worried by the failure of the Dow Jones Transportation Average to break above its peak of 830.84 reached in March. Analysts argue that the transportation average which on Thursday was 2.3 per cent below its record, needs to *achieve a new high to confirm* the recent peaks on the DJIA.

One reason why US share *prices have held up well this* week is that the news from the corporate sector is better than expected. Wall Street had thought the big three carmakers would report a decline of around 15 per cent in first quarter earnings. In the event, the average was around 9 per cent.



Net income of General Motors, the industry giant, slipped by 0.7 per cent to $1.06bn, or $3.11 per share, while Ford's earnings fell by 15 cents a share to $4.05 (after adjusting for a 3-for-2 stock split). Chrysler brought up the rear with a 43 cents per share drop in earnings to $2.36 a share.

General Motors remains surprisingly confident about the outlook for US car sales despite some scepticism on Wall Street. "The economy continues to expand and the auto market should remain healthy. Consumers still have high levels of confidence that are being buoyed by strong financial markets and continuing declines in oil prices. We expect continuing high levels of business activity," said General Motors this week.

This week's news from the giants of the US oil patch also was better than many analysts had been expecting. Exxon, whose shares touched a record high of $58¾ at the start of the week, reported a 37 per cent rise in earnings per share to $2.35 while Mobil, the number two company, reported a 38 per cent rise in earnings to $1.08. It is sometimes forgotten that oil companies market oil as well as produce it, and the fall in prices has been very good news for most companies' downstream refining and marketing operations although bad news for the upstream exploration and production business.

While there are some people who believe Wall Street is caught up in a wave of speculative excess, General Electric, the successful industrial and financial services conglomerate, underlined its faith in the sector by agreeing to buy majority control of Kidder Peabody, the respected 121-year-old investment bank, for around $600m. Analysts say this is around three times book value, which is a pretty heady price for a conservative company like General Electric.

Monday	1855.90	+15.5
Tuesday	1830.98	−24.92
Wednesday	1829.61	− 1.37
Thursday	1831.72	+ 2.11

William Hall

Carnegie sees brighter future

SIR RODERICK CARNEGIE, chairman of the CRA Australian mining major, is not one *of this world's starry-eyed optimists.* Over the past few years he has regaled shareholders with down-to-earth comments *such as that in May, 1981,* about it being unrealistic to expect significant improvements in metal demand and prices in the short-term.

Then, in March 1982 we had "depressed markets may persist for some time yet," and "Short term prospects are not good." Admittedly, the annual meeting of May 1982 was told that the worst of the cyclical downturn appeared to be over, but a year later came the comment, "Market prospects are *still gloomy.*"

Stil, Rir Roderick has maintained all along his faith that *things would eventually come* right; and in the annual report this week he has been moved *to obseve: "There are, however,* grounds for thinking that the worst is now behind us. The rest of the decade could see a steady improvement in metal markets."

He is not alone in this more hopeful view of things. In the *annual report of* Rio Tinto-Zinc, the London parent company of CRA, Sir Alistair Frame has said that the continuing mine closures and delays in bringing-in new projects should mean eliminating much of the excess production capacity by the 1990s and a consequent improvement in metal prices.

So, the RTZ group is pressing on with its *policy of picking up* good quality mineral deposits—often on favourable terms from companies *which cannot afford* to keep them—for the next generation of mines. "We are *committed to replenishing* the group's mining portfolio for the next century," says Sir Alistair.

Derek Birkin, the chief executive, says the shopping list also applies to the group's other two main sectors, the industrial interests—which are now to be enhanced by the purchase for $138m (£90m) of two speciality chemical divisions from Celanese of the US—and the energy side.

Here again, RTZ is confident of long term prospects for energy; it might be argued that while the fall in oil prices should stimulate world industrial activity, that in turn should mean increased use of oil and, eventually better prices for it. "Present market uncertainties could present us with good investment opportunities," Mr Birkin points out.

Meanwhile, RTZ seems unlikely to produce any notable increase in earnings this year, *with lower oil revenue pulling* against better industrial profits and metals sitting somewhere in between. But by keeping costs down and productivity up, the group has shown that it can live profitably with low metal *prices.*

That is what Allen Born aims to achieve for Amax, the big *US natural resources group.* The new chairman's first target is to get the company breaking even this year following the loss of $621m (write-downs took $350m) in 1985.

He is on the right course. For the first quarter of this year, the company has made an *operating profit of $21m* after a loss of $37m in the previous three months.

*These figures are before de*ducting the crippling interest charges—$47.5m against $49.7m —*and tax.* However, the recovery of pension assets amounting to $80m has left Amax with a net profit of $53.4m, the first profit since the

Mining

September quarter of 1984. And the company's debt has been reduced by $160m.

Canada's giant nickel-producing Inco, on the other hand, has fallen back into the red for the first time since the 1984 September quarter, *with a loss for* the first three months of 1986 of US$3.5m. This reflects a *further fall in nickel prices.*

Charles Baird, the chairman, says bravely: "Market conditions *will soon permit a return* to profitability;" but he realises that the fall in oil prices could *revive production from the* high-cost producers of laterite nickel. Consolation for Inco *comes from the group's expanding gold interests* — notably at the exciting Casa Berardi prospect in Quebec and at Crixas in Brazil. They could treble Inco's annual gold output to more than 150,000 ounces by 1990.

Australia's Paragon Resources, born out of Seltrust Holdings, has finally won control of Central Kalgoorlie Gold Mines. The latter's attraction is its promising gold prospects in Western Australia, where it already has two joint ventures on the go with US mining majors Homestake and Newmont.

Kenneth Marston

IN THE NEWS

NATIONAL & Provincial Building Society is launching on Monday a 90 days investment account paying a net rate of 9 per cent interest, after deduction of tax at the standard rate. Investors leaving over £10,000 in the account can make immediate withdrawals. Otherwise they have to give 90 days notice or suffer a loss of interest. In spite of the fall in interest rates, the Society is increasing the rate paid on its Money Account by 0.25 to 8.75 per cent.

●

SIX UNIT trusts are being introduced by the Thornton group, established in early 1984 following Mr Richard Thornton's departure in 1983 from GT Management, which he co-founded in 1969.

Unlike other groups, which have tended to concentrate on European markets recently, three of the new funds cover the Far East, Pacific Technology, and Japan while the Tiger fund aims to invest in Hong Kong, Malaysia, Singapore, South Korea and Taiwan. Markets not in great favour at the moment with the majority of Western world investors. The other two funds are more conventional, investing in the UK and North American markets. The offer price includes an initial service charge of 5 per cent, with provision in the trust deed for this to be increased to 6 per cent. The annual management charge is set at 1.25 per cent although the trust deed allows a charge of up to 2 per cent.

Skandia Life have added Perpetual unit trusts to the range of funds offered to widen still further the choice available to investors. One of the eight new options is a fund to be managed by Perpetual.

●

UNDETERRED by the takeover bid from Lloyds Bank, the Standard & Chartered group have launched an ambitious offshore fund, based in Jersey. Called the Scimitar Worldwide Selection Fund it offers you the chance to invest in the major equity or bond market of your choice through a range of separate international equity and bond funds. There are five of each, with an initial offer (open until May 2) of 1bn participating shares altogether of 1 cent each at a subscription price of $10, apart from the Sterling Fund (£10) and the ECU Fund (Ecu 10).

●

MANCHESTER-based stockbrokers, Henry Cooke, Lumsden, have decided to offer their "in-house" unit trust, the Arkwright Fund, previously only used by clients, to the general public for the first time. The company says that the Arkwright Fund has performed consistently well since being established in September 1981 coming near the top of the league table for UK growth funds during the past three years. It is capitalised at £5m.

A special incentive for new buyers is that the initial (front load) charge for the Arkwright Fund has been set at only 3.5 per cent compared with the normal charge of 5 per cent and annual management fee is a lowly 0.75 per cent.

●

BRITISH Telecom is expanding its security alarm signalling system, called Telecom Red CARE, to cover further areas of London and extend out to places such as St Albans and Watford. Red CARE uses householders' existing telephone lines to link their alarm systems to security companies 24-hour control centres.

The cost varies according to the security company used. But as an example one company charges £95 for supply and installation of the alarm system plus £14.50 per month for monitoring and maintenance. However, you may be able to obtain a discount on your home contents insurance policy as a result of installing the system.

●

AN INSURANCE policy which pays the mortgage if a borrower loses his/her job through redundancy or disability has been introduced by the Skipton Building Society. Monthly cost is high at £4.80 per £100 of the mortgage payment, including endowment and other insurance premiums. The maximum cover is £500 a month.

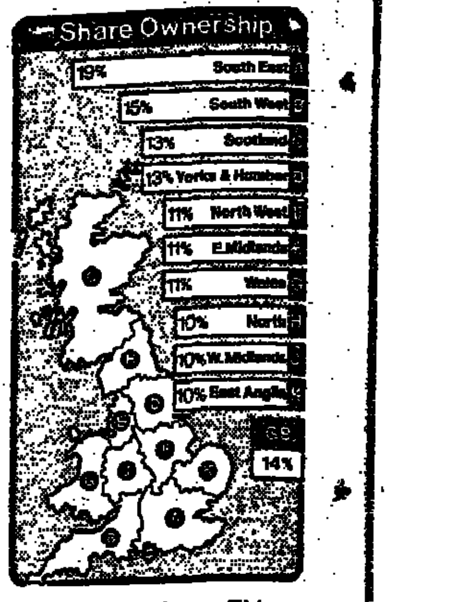
Share and share alike

SHARE ownership in Britain is wider and more evenly spread than generally thought, according to a National Opinion Poll survey commissioned by the Treasury and published this week.

As expected, the south-east of England has the highest proportion of shareholders (19 per cent of the adult population. But otherwise shareholdings vary from 10 to 15 per cent throughout the rest of the country.

The survey also shows that shareholding is fairly evenly spread among the age and income groups.

The biggest surprise in the survey, however, was that the total number of shareholders in Britain is now estimated at over 6m—14 per cent of the adult population. This is twice the number estimated by the Treasury and the Stock Exchange within the past six months.



The seven-year hitch

THE new inheritance tax that replaces capital transfer tax allows people to pass on their wealth without incurring a massive tax charge—simply by giving it away during their lifetime.

There is, however, one small snag—you have to survive seven years to avoid any tax liability. However, without recourse to the deep freeze and falsified death certificates, you can avoid a tax bill by taking out life assurance to cover that liability.

Equitable Life, Britain's oldest mutual life assurance company, has issued four types of temporary protection contracts to meet the different circumstances that may arise. They are:

● It covers the usual form of donation and the consequent tax liability. Under the proposed inheritance tax, the liability runs for seven years from the time of the gift, tapering off during the last four years. The protection under this contract also reduces in line with this tapering liability.

The policy—on the life of the donor—is taken out by the recipient of the gift since any liability falls on him; and it is written in trust to avoid further tax complications.

● Seven-year temporary assurance: During the seven years after a gift a donors' estate carries a liability on top of the rest of the estate for the seven-year period. The donor takes out a seven-year level temporary assurance on his own life, again in trust for those who benefit from his estate.

● Last survivor seven-year level temporary assurance. This policy is designed to deal with the position of a married couple each of whom makes a lifetime gift to others while leaving the rest of their assets to each other on the first death. The remaining estate would carry an additional liability if both die within seven years. The contract is effected in trust on both lives, paying out on the later death if both die within the seven-year period.

● Five-year decreasing temporary assurance: There are certain gifts that incur an immediate tax liability at half the rate on death, with the full death rate being payable effectively if the individual dies within five years. This new contract, which Equitable Life claims is unique, covers the tapered liability.

Eric Short

Safer savings

INTEREST rates fell last week and will fall further. For cautious investors who prefer the security of fixed income to the rough and tumble of the stock market and who have lapped up high interest from their building society accounts in the last year or so, what are the alternatives?

Staid old National Savings looks like an obvious option. Last year, when building society rates were high, National Savings had a rough ride.

The reason was simple. For much of the 1985-86 fiscal year building society rates were unusually high hovering at around 9 per cent for borrowers.

In the same period National Savings Certificate offered first 8.85 per cent and then, from September, 7.85 per cent. Among the alternative forms of investment, income bonds—which have emerged as the most popular format over recent months—offered 12 per cent as did deposit bonds, while investment accounts offered 11.5 per cent.

Athough most National Savings schemes offer tax advantages, building society accounts, with greater flexibility and higher interest rates,, were much more attractive. National Savings could not compete and the flow of investment fell accordingly.

Since the Budget, however, and the fall in bank and building society interest rates, National Savings rates have remained stable.

"National Savings has suddenly started to look very attractive in terms of what we know is likely to happen to interest rates in the next few months," said Robin Bloor, who runs the Moneyline fixed-interest investment service at financial consultants Chase de Vere.

"People are only just beginning to get used to the idea that building society rates could fall as low as 5 or 6 per cent. Once they grasp that, National Savings should become a popular option again."

Whether National Savings remains a competitive form of investment over the next few months depends entirely on whether the Government opts to reduce its rates in line with the banks and building societies.

Given that the relatively low rates produced such a pronounced shortfall in income last year, the Government is thought to favour retaining highter rates this year, in order to stimulate investment. Indeed in the House of Commons Budget debate, a Treasury minister stipulated that there would be no change in National Savings rates, in the short term at least.

Gilts—or Government gilt-edged stock—are another option for the cautious investor. Gilts have the advantage of flexibility in that there are so many different types to choose from, each offering a different combination of coupon, the income paid out each year, and maturity, that length of time after which the Government repays the £100 invested in each stock. Thus investors can select the type of gilt-edged stock most appropriate to their investment needs and tax status.

The price of gilts is linked to movements in interest rates. Whenever interest rates rise, the price of gilts falls and vice versa. Most analysts expect the yield on gilts to fall towards the end of the year, so it is sensible to buy now.

Yearling bonds are the local authority version of gilts. Recently yearlings have proved popular with investors because they offer a fixed rate of interest—generally at a fairly generous level—and, even after the Budget, they are free from stamp duty.

To buy yearlings, investors ask their broker to put their name on the placing list. Every Tuesday morning prices and rates are issued by the local authorities and the yearlings are allotted, in denominations of £1,000.

The only problem is that yearlings are in short supply. Rate-capped authorities—which used to supply 33 per cent of them — have been prohibited from issuing yearlings and the weekly supply has halved in the past six months.

Guaranteed income bonds—or GIBs—are another option for building society investors. GIBs are purchased for a fixed period of time and provide fixed interest rates. But GIB rates are linked to those of the banks and building societies. When general interest rates fall, GIB rates follow suit. Within the past few weeks GIB rates have been changing by the day.

New Direction, for example, which was established two yeears ago to provide fixed income investments, has reduced its one year GIBs from 12 per cent to 8½ per cent and five year GIBs from 10 per cent to 7.4 per cent since January.

Canny investors can still find bargains in the GIB market. Many brokers pass on part of their commission to the GIB, thereby inflating the rates. Others sell GIBs in conjunction with insurance bonds, on which commissions are higher, thereby using part of the insurance bond commission to boost the GIB rate.

The flow of funds away from building societies has only just begun, but is expected to intensify. "Building society investors are conservative by nature," said John Howsden, director of Hill Samuel Investment Services. "And they are much slower than one would suppose in withdrawing money from building societies.

"But no one can afford to rely on the interest from a building society account for income any more. They will have to make a risk investment of some sort and being building society investors, they are likely to choose the least risky option possible."

Alice Rawsthorn

Behind the City boom

INVESTMENT trusts have been forced to play second fiddle to unit trusts in recent years. A fuddy-duddy image, poor marketing and a ban on advertising their wares has kept interest in investment trusts at a low ebb even while the whole stock market is booming.

One major problem has been that buying investment trust shares can be relatively expensive, especially for the small investor, when buying them via a stockbroker. The minimum commission charged, Valued Added Tax, plus stamp duty all add up. There is also the difficulty of choosing the right investment trust for your needs.

To try and boost private investor interest, Touche Remnant, managers of the largest group of UK investment trusts, yesterday (Friday) launched a savings scheme aimed at providing a simple and less expensive way to purchase shares in the investment trusts managed by the group. Under the scheme a regular monthly amount, with a minimum of £25 per trust, can be invested direct with Touche Remnant in one of the 10 trusts available.

You then receive an advice note stating how many shares have been bought, the price paid and the dealing expenses.

The cost of the brokerage, however, is likely to be cheaper than the small investor would normally pay since Touche Remnant, by dealing in large aggregate amounts, are charged less commission and pass this on to the savings scheme investor. No additional fee is charged. Occasional savings or gifts of £250 or more can also be invested, while existing Touche Remnant investment trust shareholders can have their income from their shareholdings reinvested via the saving scheme.

Touche Remnant are managers for 10 separate investment trusts with assets totalling £1.75bn. Eight of these are specialist trusts, while two are described as "generalist." If you are uncertain which one of the 10 investment trusts to choose, you can consult any stockbroker, Hoare Govett, and Quilter Goodison (including through their share shops) are willing to give advice to individual investors.

Peter Kysel, Touche Remnant investment trusts director, claims that the 10 trusts have provided a better return on capital than rival investments over the past five to 10 years.

He calculates that £1,000 put in the trusts five years ago would have produced an average return of £2,634 compared with £2,137 for unit trusts; £1,463 in a building society; £1,337 in a bank deposit account and inflation £1,463.

J.E.

Confused? Join the club

THE MORTGAGE market has been thrown into even greater confusions by Lloyds Bank's decision to offer home loans at a fixed rate of interest. You now have to decide whether to take advantage of its cheaper (9.9 per cent) rate or gamble on mortgage rates continuing to sink still further during the next three years.

John Dawson, director of UK retail banking for Lloyds, said that although fixed rate mortgages already were available from other sources (the Halifax Building Society for one year and Bank of Scotland for three years, for example), this was the first time a fixed-rate home loan was being offered at a level significantly below the general existing mortgage rate. The repayment for a £30,000 endowment loan over 25 years, net of tax, works out at £175.73 a month.

According to Mr Dawson, the consumer has little to lose. The borrower can have the immediate benefits of cheaper home loan with the additional comfort of knowing the exact cost involved during the first three vital years of a mortgage

The fixed rate will provide protection against the kind of mortgage rate fluctuations seen in the past — a useful point bearing in mind that the next three years will straddle a general election that might change the market substantially.

On the other hand, Mr Dawson said, if interest rates plummet to well below 9.9 per cent, as is widely predicted, the borrower can abandon the fixed-rate home loan by paying a penalty of two months' interest. No penalty will be payable if the loan is transferred to another property and the fixed rate is discontinued in favour of a lower rate.

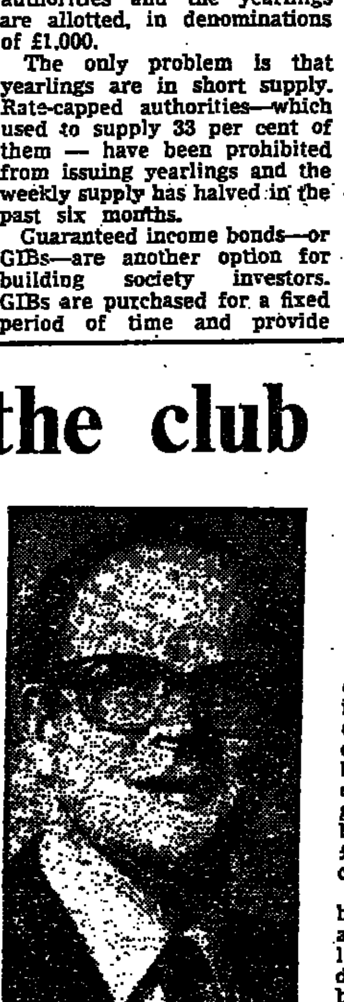
At the end of the first three years the borrower will, in any case, have the option of switching to the current standard home loan rate or continuing to pay at a new fixed rate for a further period.

There are certain restrictions. The fixed-rate scheme is available only on endowment home loans of £30,000 and above taken out either through a Lloyds branch or a Black Horse estate agency (a subsidiary of the bank). There is also an arrangement fee of £100.

Lloyds is allocating £200m initially towards funding the new scheme, which has already been "covered" in the wholesale money markets, and will then wait to see how popular it proves.

Opinion is divided. Fixed-rate home loan schemes are nothing new — they were very common in the 1950s and early 1960s, especially with life companies and local authorities. They went out of favour when interest rates took off in the wake of rising inflation.

The question about the 9.9 per cent is how much further interest rates are likely to fall in the next three years. Some analysts argue that rates should in the long run move much closer in line with inflation and, therefore, might well fall below 5 per cent in the not-too-distant future. Certainly, pressure is already building up for a further reduction in base rate from 10.5 per cent.



John Dawson . . . the consumer has little to lose

Meanwhile, the cut in base rate has triggered another round of mortgage rate reductions, ranging at present from a low of 10.75 per cent by the new Mortgage Corporation to 11 per cent by most building societies and clearing banks. A further cut is already being predicted and some societies are offering the lower rate only to new borrowers immediately and waiting until June 1 to make a decision about the rate for existing borrowers in case of another downward move.

The cost of notifying existing mortgage holders of a change in rates is considerable—£0.5m in the case of the Halifax.

In today's highly competitive conditions, all kinds of special deals and concessions are being offered to woo potential borrowers. NatWest, for example, which claims to be the leading bank in the home loans market, has abolished the £100 arrangement fee charged previously. At 11 per cent, it calculates that the monthly cost of a £30,000 repayment mortgage over 25 years has been cut to £217.11 (£231.75) assuming tax relief at 29 per cent. On a similar endowment mortgage, the repayment will be £195.25 net.

Barclays, which stole a march earlier this month by cutting its home loan rate to 11.75, has now come into line at 11 per cent. However, it is still waiving its arrangement fee and points out that because interest is calculated on a reducing daily balance, the monthly payment on a £30,000 repayment mortgage over 25 years is below the building society equivalent at £213.60 (first year) or £226.50 constant over the whole period.

Midland Bank, which has been pushing hard to capture a greater share of the home loans, has retained the special deal under which new borrowers pay 0.50 per cent less than the standard rate for the first year. They will, therefore, be paying only 10.50 per cent.

National Home Loans, the specialist mortgage company formed last September, has cut the rate for endowment linked mortgages to 11 per cent but is charging 11.25 for straight repayment mortgages.

Cheltenham and Gloucester has retained its competitive position by reducing the rate on its special Goldloan endowment or pension-linked mortgages (available only for amounts of £30,000 and 70 per cent of the valuation of the property) to 10.75 per cent—0.25 below its new standard loan rate.

John Edwards

Advice to the unwary abroad in the City, or

THE PARAKEET AND THE PERILS OF LIVING IN THE STICKS.

THE jungle steamed after yet another deluge of scalding rain. Chameleons, who had stopped to shelter beneath the overhanging leaves, changed from amber to green and moved off again. The young parakeet looked happy. He was gradually recovering from the excesses of his stag beetle night. And now he was putting the finishing touches to his love nest. Very soon, the boughs of the giant banyan tree would echo to the patter of tiny claws. With a squawk of contentment, he spread his wings and flew down through the dripping branches. Swooping low, he picked out a particularly fine stick with his beak and returned to his perch. He puffed out his brilliant green chest feathers in pride as he brought the final stick to rest. And taking his beloved by the claw, he carried her triumphantly over the threshold. But then something seemed to stir. He looked again. Sure enough, the whole nest appeared to be alive. To his astonishment, it was edging slowly but inexorably along the branch. Then it leapt from the tree and scuttled into the undergrowth, taking the two love birds with it. A wise old macaw was gazing down sympathetically. "Stick insects," he muttered. "An easy mistake to make." The City is a jungle, too. Here, too, things aren't always quite what they seem to the untrained eye. With the resources and the experience of one of the UK's largest investment management organisations, Mercury can provide you with just the discerning judgment that you need. For the details of our ten unit trusts, please write to: The Client Services Director, Mercury Fund Managers Ltd., 33 King William Street, London EC4R 9AS (01-280 2800) or contact your usual financial adviser.

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FINANCE & THE FAMILY

Moving House

All together now

MOVING HOUSE can be a protracted, frustrating and traumatic experience even for the most hardened of housebuyers.

The provision of property services in the UK is highly fragmented, with housebuyers having to deal with a succession of often unco-ordinated specialists—estate agents, building societies, solicitors.

This system in itself results in considerable time elapsing between when you decide to change house and the actual move taking place.

The whole system of housebuying looks unnecessarily complicated, a fact confirmed by the results of a survey carried out by National Opinion Poll for Legal and General, Britain's second largest life company.

To make life easier for the housebuyer, Legal and General has combined with Home Exchange, known as Homex, to form HomeMove Services.

In theory, once a family has decided on a move, or a couple have decided they want a house all that is necessary is contact HomeMove on the free telephone 0800 010 181 or contact the nearest Legal and General branch to obtain help through one central contact.

The central theme of HomeMove is the provision of a counselling service — a person who will provide expert advice, look into delays in the process and generally hold your hand.

HomeMove will provide three major services to the potential housebuyer covering the specialist areas needed:

- **Estate agency services.** Homemove is building up a countrywide network of estate agents and already has 150 estate agents on its panel. Clients wanting to buy a particular type of house in a certain area would be referred to at least one estate agent in that locality.
- **Mortgage services.** HomeMove would, if requested, arrange a mortgage from its panel of building societies and banks — invariably overseas banks—for a client. Already it has £100m committed for mortgages. Clients receive a mortgage priority certificate guaranteeing a mortgage for a period of six months.
- **Legal services.** These are provided by Homex (Home Exchange) a specialist conveyancing and relocation company established by solicitors. They can provide conveyancing, deposit and "chainbreaking" services.

The aim of HomeMove is to cut down the time taken to buy and move into a house by doing much of the work concurrently instead of consecutively, with the counsellor playing a central role.

So the counsellor will discuss with the client at the outset mortgage limits and methods of repayment and arrangement of the mortgage while at the same time considering the actual buying of the house. They do not wait until the family has decided on the house they want to buy before getting down to considering the mortgage.

The counsellor will also discuss with the client the various methods of financing and repaying the mortgage and will advise on the best method for each. Ted Tilly, life and pensions marketing director of Legal and General emphasised that all methods of paying off a mortgage including the repayment method would be dealt with. There would be no pressure on the client to buy Legal and General endowments and house insurance contracts.

Homex was set up two years ago by Tony Pearce and Ian Jefferson to co-ordinate services to housebuyers and to cut down the time taken in conveyancing. It operates by getting the necessary information needed for conveyancing in a package form ahead of the actual offer to buy. The record between offer and exchange of contracts is 26 minutes.

Housebuyers usually have to put down a 10 per cent deposit on exchange of contracts. Homex will provide this deposit provided you use it for the conveyancing. This loan is available for 28 days at 2 per cent interest—APR 29.3 per cent.

Finally, HomeMove offers "a chainbreaking" service, but this not the answer to everyone's problems. Too often hold-ups occur because the housebuyer is putting too high a price on the house he is selling. The price offered by HomeMove for a house to break the chain would be based on its valuation, not the housebuyer's own price, less a discount averaging 7.5 per cent, with the housebuyer meeting professional fees.

It emphasises that the chainbreaking facility is to be regarded as a last resort and points out that normally, the first thing would be to find out where the real problem lies—such as somebody well down the chain having problems getting a mortgage.

Eric Short

Preparing to "swipe"—paying for petrol the easy way

A cashless day dawns

Alan Cane dives into the plastic depths of electronic shopping.

FROM GLASGOW to Brent Cross, Sheffield to the Thames Valley, Northampton to Milton Keynes, Britain's shoppers are testing the future.

In each of these areas local retailers and the clearing banks are taking part in experiments intended to lead to the greatest change in shopping habits since cash replaced barter.

This time cash and cash tills are for the axe. The plan is that they will be replaced by the ubiquitous plastic bank card and a piece of electronic gear on the countertop which goes by the inelegant name of the "electronic funds transfer at the point of sale" terminal (eft/pos terminal is shorter—but no more elegant).

Many motorists paying for petrol with a credit card will already have experienced eft/pos through trials conducted by Clydesdale Bank of Scotland and Mobil Oil in England.

Conventioanlly, he or she hands over the card after filing up and waits more or less patiently to sign for the purchase while the cashier writes up the credit voucher and runs card and voucher through the imprinter. (Drivers of Jaguars and Rolls-Royces may have to wait longer while the cashier checks that a sale valued at more than £50 is permitted.)

Eft/pos style, however, the cashier simply "swipes" the card through a slot in the terminal and in seconds a printed sales slip emerges to complete the transaction. All the customer has to do is sign the sales slip.

In that fraction of a second the terminal makes a telephone call to the card issuer's computer centre to check that the card is neither stolen nor invalid, and that the value of the transaction is withn the agreed limits. All details of the sale are memorised by the terminal and sent electronically later in the day to the banks and card issuers for clearance.

Why? one might ask. What is wrong with the cash, cheques and credit cards that have oiled the wheels of commerce quite satisfactorily up to now?

One answer is that the banks, having long bemoaned the fact that a large percentage of the population prefers (metaphorically(the sock under the mattress to a bank account, now finds they are having too much of a good thing.

They are drowning in paper. Credit card organisations like Barclaycard, Access and American Express are up against the same threat.

Eft/pos offers them the opportunity to do away with much of that paper — and the administrative costs entailed in dealing with it— at a stroke.

Retailers, after dark nights of doubt, now also see powerful advantages in the new technolog.y.

Petrol stations have been the pioneers both here and in other countries because they need to speed up purchases involving cheques and credit cards.

Motorists consciously avoid stopping for petrol where there is a queue on the forecourt. A few seconds saved on each transaction can mean a considerable difference to profit. "I've been waiting for this for ten years," the manager of a Milton Keynes petrol station, part of a Midland Bank trial, said at its inauguration.

Now other retailers have seen the light. Barclaycard and Access expect to have 5,000 terminals installed soon in a major experiment in the south east.

The plan is that it should lead to the inauguration, in 1988, of a national system able to handle both credit cards and debit cards (debit cards move money out of your account instantaneously — bank-in-the-wall cards are an example).

How the public will take to this remains to be seen. There could be political consequences as well. What latter-day Harold Wilson, explaining away devaluation, could claim convincingly: "The plastic card in your pocket, if valid and within your legitimate limit, will still buy the same amount of goods and services?"

Business Expansion Scheme

Loophole in the balance

THE BUSINESS Expansion Scheme has the reputation—deserved or not—for falling prey to cowboys. It is not often that cowboys are caught out, but Chancellor Nigel Lawson succeeded in last month's Budget, when he imposed an "asset ruling" on the scheme, effectively excluding ventures in which land and buildings absorb more than half the company's net assets.

The eagle-eyed in the venture capital industry swiftly spotted a way of worming round the ruling. If borrowings were deducted from the value of land and buildings, then many of the "excluded" issues would still qualify.

Thus, a series of issues, which had braced themselves for exclusion after the Budget, opted to continue. Chancery Securities, for example, which sponsored the Playhouse Theatre scheme, dispatched a supplementary prospectus to investors. This indicated that the company thought, but could not be sure, it could continue and offering subscribers the option of withdrawing from the issue.

"After the Budget speech we were confused about our status," said Katy Harper, who is handling the Playhouse Theatre for Chancery. "But we asked the advice of the Inspector of Taxes and warned investors what might happen if the Finance Bill tightened the restrictions."

Other sponsors assumed that the "borrowings loophole" was the product of an omission in the Budget speech which would be eradicated in the fuller wording of the Finance Bill. Thus, their issues—which would qualify under the loophole—were closed.

"I just couldn't understand how the Chancellor could justify the continuation of a loophole like that," said Charles Fry, chairman of Johnson Fry, which closed two property-backed issues after the Budget. "It seems crazy for the Government to encourage companies to gear up to their eyeballs just to qualify for the scheme. We expected the Finance Bill to close the loophole and it seemed improper to encourage investors to subscribe to issues which ran the risk of being excluded."

When the Finance Bill surfaced 10 days ago, the optimists were vindicated. The asset ruling was reiterated, but the bill allowed property valuation to be adjusted downwards for borrowings secured on land and buildings, long-term unsecured debts, and for shares with preferential rights to assets. Thus, the Playhouse Theatre will still qualify and Johnson Fry need not have closed its schemes.

The Finance Bill also affirmed that property-backed ventures excluded by the asset ruling can raise up to £50,000 a year under the scheme.

Similarly, the restrictions on wine merchants, art and antique dealers were amplified with the definition of excluded issues as those which hold goods for longer "than would reasonably be expected ... while endeavouring to dispose of them at market value."

The Bill also confirmed that the scheme had been extended indefinitely and that the Government could amend it with ad hoc legislation, rather than by waiting for the Budget each year.

Crucially for investors, it affirmed that sales of Business Expansion Scheme shares after the five-year qualifying period would be free from capital gains tax.

There is still time for the Bill to be amended. The Business Expansion Scheme clauses will be discussed at the committee stage early in May and at standing committee early in June, rather than on second reading in the House of Commons when the economic issues raised by the Budget are thrashed out.

The sceptics in the venture capital industry, Charles Fry included, are convinced that the "borrowings loophole" will be weeded out before the Bill receives Royal Assent in July or August.

However, even if the loophole is closed, and schemes like the Playhouse are excluded, the legislation will probably not be applied retrospectively. So, investors will be able to claim tax relief on existing issues like the Playhouse, and the exclusion will apply to future schemes.

Alice Rawsthorn

Unit trusts put accent on income

John Edwards reports on a challenge to the building societies

DEMAND FOR unit trusts varies according to changes in the different markets and sectors, as well as underlying financial conditions. For example, at the moment with interest rates falling anyone saving in building society or interest-paying bank accounts will be facing a considerable drop in income, while the capital sum invested continues to be eroded by inflation.

One obvious alternative is unit trusts, but these are essentially a more risky investment and in many cases offer an even lower source of income, even though the capital value may rise substantially while the stock market boom continues. Recognising the problem of attracting building society investors, several unit trust groups are launching funds with a higher rate of income than normal by sacrificing some potential growth in capital.

Barclays Unicorn, the unit trust arm of Barclays Bank, is the latest to jump on the higher income bandwagon. The objective of its International Income Trust, to be launched on May 3, is to produce "a high and growing income over the longer term together with prospects of capital growth."

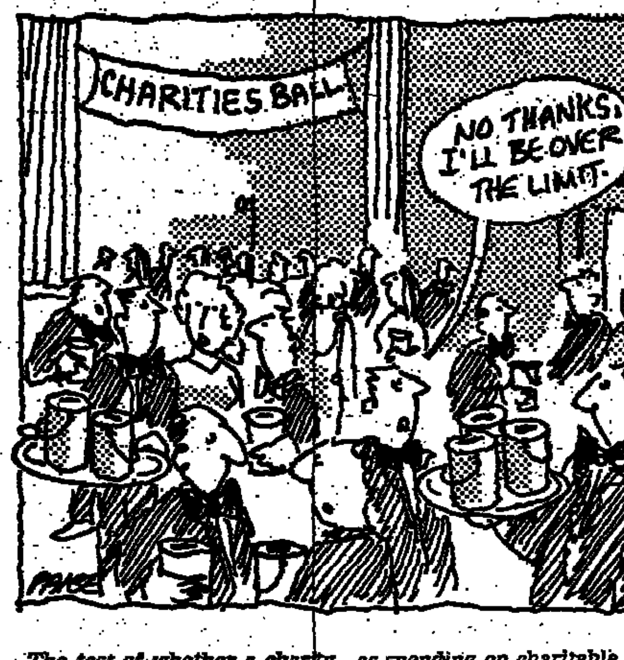
The offer price will be 50p and the minimum investment £500. A savings plan, with a monthly contribution of £20, will also be available. During the launch period from May 3 to 23, discounts will be offered in the form of 1 per cent extra units for investments up to £2,999 and 2 per cent above £3,000.

Fund manager Peter Seipel says growing income will be achieved by having a high proportion of equities in the portfolio, which he believes will outperform bonds. With interest rates worldwide expected to decline further, the fund will initially invest only 10 per cent in bonds or gilts.

At the same time exposure to the UK market will be limited to a 25 per cent maximum of the total portfolio. The biggest proportion, 40 per cent, will go into US equities, with a further 15 per cent in US convertibles

Charities

Time for caution



THE BUDGET contained a significant package of measures to assist charities and encourage philanthropy. At the same time, the Chancellor announced that he was clamping down on the use of charities for tax avoidance. These restrictions may well have a wider impact than the new concessions. Not just charities but individual donors will need to be on their guard.

In the public mind, charities are bodies which raise funds from the public and spend the money on furthering specific objectives. But a large proportion of Britain's 150,000 or so registered charities are grant-making rather than fund-raising. These private charities are set up and financed by individuals who use them primarily as vehicles for dispensing their largesse to a range of fund-raising charities.

English law has never distinguished between public and private charities — between Oxfam and the John Smith Charitable Trust — and therein lies the root cause of the abuse. Because of the lack of any distinction, private charities have benefited from all the tax privileges which successive governments have lavished on the voluntary sector. This has made a private charity the most attractive form of tax haven imaginable.

The only snag has been that all the money in the charity has to be given to genuinely charitable causes. Nevertheless, devious methods have been invented for passing money back into the pockets of the charity's controllers. The scale of the abuse is shown by the Treasury's estimate that the new rules will save about £20,000,000 in lost tax.

The key to the Chancellor's new approach is the creation of a new category of so-called "private indirect charities." These are singled out as the target of the new legislation; all other charities are unaffected.

The test of whether a charity is private and indirect is determined on a year-by-year basis. A "private" charity is one which receives at least 25 per cent of its income from a relatively small number of supporters. The basic test is whether five or fewer people provide 25 per cent or more of the funding; but even if the donations are spread more thinly, the charity may still be private if its trustees or any of its creditors or debtors contribute as much as a quarter of its income.

A charity will be "indirect" if less than 75 per cent of its receipts in any particular period are spent on charitable activities. Money donated to another charity will not count as spending on charitable activities.

Even if a charity is both private and indirect, it will still be in the clear provided that it distributes at least 90 per cent of its income each year. The money has to be spent on charitable activities of its own or paid over to other charities —but not to private indirect charities.

If none of these escape hatches is available, the new measures will bite. The effects are felt not just by the charity itself but also by people who make covenants in its favour. The charity forfeits tax relief on the proportion of its income which it has failed to distribute, and the higher-rate income tax relief of convenantors is cut back to the same extent.

Charities which have no intention of trying to accumulate income may still be caught out by the 90 per cent threshold. A particular trap is the fact that the amount distributed is calculated as a percentage of the combined total of income and capital receipts. However, capital amounts will be excluded to the extent that they are rolled over into new investments in land or quoted securities.

Charities falling short of the 90 per cent mark do get the chance of a reprieve. Any tax relief lost can be recovered retrospectively if distributions in the following three years are sufficient to compensate for the previous shortfall.

Individuals with their own small private charities, who are reluctant to grapple with these complexities, may be well advised to route their charitable covenants through a charitable agency, such as the Charities Aid Foundation. This can be just as effective as having your own charity, and arrangements of this kind are specifically excluded from the new clampdown.

The other worry for an individual will be if the charity to which he is covenanting turns out to be a private indirect charity with too low a distribution level for the year in question. In which case his income tax relief will be cut back.

Many charities are so obviously either public or direct or both that no real doubt will exist. But there will always be marginal cases, and since the relevant tests will be applied from year to year, a charity's status might often be in doubt.

A single unexpectedly large donation just before the year-end could change a charity from public to private and leave it with far more funds than it can hope to distribute in the time remaining.

David Cohen

On-line planning

John Edwards looks into the green screen for financial advice

FINANCIAL planning, looking years ahead, presents a problem for most people. While you are pondering if the stock market has finally peaked, or if interest rates are destined to decline even more, it is difficult to take the long-term view. Allied Dunbar have, therefore, called in the aid of computers to offer a free service analysing individual clients' present and future financial requirements.

Under the scheme, you will fill in a detailed "confidential review" outlining present financial circumstances, and future objectives. This provides the raw material used by the computer to produce a basic financial plan for up to 50 years ahead, but which can be constantly updated to take into account changing circumstances.

You specify your long-term objectives and the computer analyses how these can be achieved taking into account all the known future developments, like insurance policies maturing, pension payments and even possible inheritances. No specific recommendations are given but comments and points of discussion are raised for you to consider on how to meet expected outgoings, such as school fees, in order to achieve your stated long-term objectives.

You can then play around with different assumptions, such as the rate of inflation, to assess various alternatives available feeding in any new data, such as tax changes. Allied Dunbar say the basic information provided is retained on an individual disc and is subject to the Data Protection Act.

The company says it has spent some £1.5m on developing the computer software required for the service over the past two years. Obviously it hopes the service will help sell more of its range of financial products. It is available either via the 3,200 Allied Dunbar salesforce or from intermediaries like solicitors or accountants, who might also benefit from extra business resulting from the advice given.

It is considered that those most interested will be householders with an income of over £20,000 a year and owners of houses worth more than £70,000. Allied Dunbar claim that the service is in line with the general trend towards financial advisers being able to provide recommendations based on an all-round knowledge of their client's position.

Perhaps the biggest benefit, however, is that having to put down your basic financial situation in a detailed questionnaire, and then seeing it analysed on a screen, wonderfully concentrates the mind on subjects that are often pushed into the background.

Benefit of the doubt

Harold Baldwin examines the worth of bank references

AS WE move closer to the cashless society, increasing use is being made of bank references. But how reliable are they and are they too guarded to be of any real use?

Expressing an opinion in writing about the financial position and trustworthiness of a person can be difficult. The bank must try to give a fair and truthful reply to any enquiry; but its first duty is to its customers so it will normally give them the benefit of any doubt.

Take, for instance, an enquiry as to whether a young man is a suitable person to rent a flat at £80 a week? The record of his bank account might appear to rule out such a proposal — but the bank could know he has wealthy parents who are willing to help him. He might also be intending to share the flat and collect some of the rent from others.

Thus, it is important to forewarn your bank if you have given it as a reference, and to let it have any relevant information that will help it to form its reply.

Replies are given only to other banks and recognised trade protection societies. Banks consider that the banker-customer relationship implies authority for them to answer these enquiries without first obtaining the customer's permission. Indeed, the customer is often not aware that an enquiry has been made about him.

The reply contains a disclaimer clause: "Given without responsibility on behalf of the bank and the writer." This is a safeguard against a claim that the bank has been negligent in the terms of its reply.

A banker's reference can be a useful guide, but it would be unwise to place too great a reliance upon it and it is essential to read between the lines. Remember, the bank is unlikely to have any real knowledge of a person's or a firm's outstanding debts.

Savings simplified

ADVICE on savings and investments is often surrounded by jargon that makes it gobbledegook to the person in the street. Even so-called simple guides turn out to be either too complicated or very difficult to follow, as most experts tend to assume a basic knowledge that is simply not there.

Douglas Moffitt's daily job is to simplify financial matters for the public as financial editor of LBC (London Broadcasting Company) and Independent Radio News. He also presents a weekly Family Money programme, funded by the Stock Exchange and has used this title for a new book aimed at giving advice you can understand on what to do with your spare cash.

Moffitt points out in the preface that the book does not seek to be an encyclopaedia. It does, however, go right back to basics, starting with how to keep track of where your money goes and then covering all aspects of family and personal finance step by step.

The result is highly readable and a book which, incidentally, claims to be the first of its kind on the market to include the 1986 Budget changes.

Family Money is published by J. M. Dent for LBC Radio in association with the London Stock Exchange (Sir Nicholas Goodison, chairman of the Stock Exchange has contributed a short foreword). Priced at £3.95 in bookshops, it is also available at a mail order price of £4.50 direct from LBC.

J. E.

The Investment Trust Table

The figures in the columns below are based on information supplied by the companies named, which are members of The Association of Investment Trust Companies. The figures are unaudited.

Total Net Assets (1) £ million	INVESTMENT POLICY Trust (2)	Management (3)	Share Price (4) pence	Yield (5) %	Net Asset Value (6) pence	UK (7) %	Nth. Amer. (8) %	Japan (9) %	Other (10) %	Gearing Factor (11) base=100	Total Return on N.A.V. over 5 years to 31.3.86 (12) base=100
	as at close of business on Monday 21st April 1986					*as at 31st March 1986* (Geographical Spread)					
	CAPITAL & INCOME GROWTH										
505	Alliance Trust	Independently managed	771	3.8	994	38	50	7	5	91	311
126	Bankers	Touche, Remnant	20	3.3	150	40	35	12	12	104	338
359	British Investment	Independently managed	445	4.7	568	53	27	19	1	88	276
90	Brunner	Kleinwort Benson	101	3.1	129	54	32	3	11	98	286
156	Continental & Industrial	Schroder Inv. Man.	783	3.8	903	62	30	2	6	98	276
†	Edinburgh Investment (w)	Dunedin Fund Managers	148	3.2	†	†	†	†	†	†	†
755	Foreign and Colonial	Foreign & Colonial	87	2.4	117	35	29	18	18	108	289
913	Globe	Electra House Group	361	4.0	471	66	23	8	3	99	274
342	Govett Strategic	John Govett	231	2.2	297	51	12	12	25	117	281
340	Philip Hill	Philip Hill	207	4.5	250	63	22	3	3	86	243
11	Jos Holdings	Kleinwort Benson	160	3.3	183	81	3	1	9	98	314
48	Keystone	Warburg Inv. Man.	500	3.1	657	55	22	10	12	106	†
107	Kleinwort Charter Inv. Trust	Kleinwort Benson	100	3.3	130	64	21	10	5	100	288
7	Lancashire & London (q)	Rea Brothers	146	7.0	198	95	5	–	–	100	†
34●	London & Strathclyde	Gartmore	178	2.2	219	63	29	5	3	102	261
56●	Meldrum	Gartmore	237	3.3	276	85	11	4	–	96	332
134	Outwich	Baring Brothers	170	2.6	230	60	14	16	10	100	279
138	Raeburn	Lazard Brothers	400	3.5	504	55	30	9	6	96	261
100	River and Mercantile	River & Merc. Inv. Man.	169	5.1	204	54	37	2	7	91	295
52	River Plate & General (w) Δ	Tarbutt & Co.	254	4.6	307	75	15	–	10	94	237
47	S. & P. Ret. of Assets (w) Δ	Save & Prosper Group	130	3.5	185	82	18	–	–	142	†
25	Scottish & Mercantile (q)	Rea Brothers	458	6.0	469	96	4	–	–	102	†
20	Scottish Cities (q)	Rea Brothers	458	7.2	612	97	3	–	–	107	†
496	Scottish Mortgage	Baillie, Gifford	510	2.4	657	40	23	21	16	101	347
243	Scottish National	Gartmore (Scotland)	299	2.3	359	52	21	12	5	100	272
168	Second Alliance	Independently managed	663	3.7	866	38	48	8	6	99	313
595	TR Industrial & General	Touche, Remnant	198	2.7	261	48	27	17	8	99	267
509	Witan (w)	Henderson	202	2.1	266	57	23	12	8	106	315
54	Yeoman (q)	Independently managed	335	4.1	408	83	12	3	3	101	298
	United Kingdom										
14	City of Oxford	Hambros Bank	272	3.8	332	99	1	–	–	95	250
46Ø	Fleming Claverhouse	Robert Fleming	198	3.8	229	100	–	–	–	96	306
77	Shires (w)	Stanecastle Assets	218	8.6	259	75	15	2	8	75	213
147	TR City of London	Touche, Remnant	119	4.7	144	89	11	–	–	105	327
117	Temple Bar	Guinness Mahon Inv. Man.	169	4.5	203	99	1	–	–	93	285
	CAPITAL GROWTH										
	General										
275	Anglo-American Securities	Morgan Grenfell	368	2.5	477	47	33	17	3	105	269
67	Ashdown	Schroder Inv. Man.	186	2.4	202	59	22	11	8	99	258
166	Atlantic Assets	Ivory & Sime	113	0.7	150	33□	64	–	3□	95	232
87	Electric & General	Henderson	372	1.5	479	52	29	10	9	99	309
32	Greenfriar (w)	Henderson	330	0.7	356	64	13	6	17	106	378
7	Personal Assets (q)	Ivory & Sime	39	0.7	48	60	40	–	–	87	†
	International										
90	Berry	GT Management	237	0.6	246	46	21	15	18	118	275
129	English & New York	Kleinwort Benson	130	2.7	159	7	47	17	29	101	280
98	English & Scottish	Gartmore	92	2.2*	117	42	21	11	26	101	285
28	F & C Eurotrust	Foreign & Colonial	225	1.2	233	3	–	–	97	99	380
253	Fleming Overseas	Robert Fleming	144	2.7	189	6	55	15	24	99	278
112	Fleming Universal	Robert Fleming	385	1.9	512	11	54	13	22	94	264
69●	Gartmore Inform. & Fin. (w)	Gartmore	56	2.8	72	58	42	–	–	116	220
67	General Funds (q)	City Financial	154	1.9	197	36	17	26	17	103	269
28	Group Investors (w)	CS Investments	260	2.6	326	45	49	3	3	96	304
†	Hambros (w)	Hambros Bank	194	3.2	†	†	†	†	†	†	†
54	"Investing in Success" (q)	City Financial	630	1.3	847	34	14	31	21	106	265
20●	London & Gartmore	Gartmore	294	0.9	375	26	30	–	44	102	265
11	Mid Wynd International	Baillie, Gifford	167	1.9	218	20	34	16	30	99	†
196	Monks	Baillie, Gifford	195	1.8	261	28	23	27	22	97	284
105	Murray Smaller Markets	Murray Johnstone	282	1.0*	332	17	5	17	61	101	318
13	Nordic Δ	GT Management	57	–	75	–	–	–	100	124	†
81	North Atlantic Securities Δ	Morgan Grenfell	323	1.5	415	1	52	40	7	97	256
172	Northern American	Dunedin Fund Managers	350	2.2	469	19	34	21	26	104	289
31	Northern Securities	GT Management	214	1.5	244	60	20	5	15	119	247
120	Romney	Lazard Brothers	202	2.4	262	29	36	19	17	95	268
326	Scottish Eastern	Martin Currie Inv. Man.	110	2.6	147	51	20	15	14	109	290
412	Scottish Investment Trust	Independently managed	342	2.5	441	36	36	15	14□	99	268
91	Trans-Oceanic	Schroder Inv. Man.	197	2.8	250	42	35	13	10	96	251
92	Tribune	Baring Brothers	184	2.2	236	46	23	16	15	91	294
262	U.S. Debenture Corp.	GT Management	260	3.6	335	54	24	13	9	111	265
	North America										
152	American	Edinburgh Fund Mgrs.	146	3.0*	180	26	74	–	–	100	230
156	Edinburgh Amer. Assets	Robert Fleming	113	0.8	147	12□	75	–	2	111	259
142	Fleming American	Robert Fleming	548	1.5	669	2	98	–	–	95	246
35	Gartmore American Secs.	Gartmore	133	1.3	174	17	77	4	2	115	215
162	Govett Atlantic	John Govett	141	2.8	183	20	79	–	1	101	213
78Ø	TR North America	Touche, Remnant	97	2.7	122	8	92	–	–	101	258
	Far East										
38	Drayton Far Eastern (w)	MIM	184	0.9	203	1	–	71	28	110	244
152	F & C Pacific (w)	Foreign & Colonial	186	1.2	242	6	24	47	23	112	248
229	Fleming Far Eastern	Robert Fleming	123	1.2	147	1	–	82	19	99	312
239	Govett Oriental	John Govett	195	1.7	241	14□	3	67	16	105	271
18	Martin Currie Pacific (w)	Martin Currie Inv. Man.	119	0.5	153	3	–	82	15	99	†
5	New Australia Δ	Edinburgh Fund Mgrs.	95	2.3	108	13□	–	–	87	88	†
11	Pacific Assets (w)	Ivory & Sime	75	1.3	96	3	–	61	36	87	†
59	Pacific Investment (w) Δ	Thornton & Co.	98	0.5	118	7	–	65	28	100	†
37	TR Australia (w)	Touche, Remnant	90	3.4	119	12	3	–	86	93	205
150	TR Pacific Basin (w)	Touche, Remnant	159	0.9	198	3	–	81	16	98	332
	Japan										
40	Baillie Gifford Japan (w) Δ	Baillie, Gifford	385	0.2	374	–	–	100	–	94	†
12	Baillie Gifford Shin Nipp. (w)	Baillie, Gifford	68	0.2	72	–	–	100	–	98	†
85	Crescent Japan	Edinburgh Fund Mgrs.	216	0.2	241	–	–	100	–	102	405
212	Drayton Japan	MIM	618	0.2	735	2	1□	96	1	110	337
126	Fleming Japanese	Robert Fleming	675	0.3	777	3	–	97	–	105	353
79	GT Japan	GT Management	173	1.2	206	5□	2	91	2	106	336
55	Japan Assets (w)	Ivory & Sime	58	0.1	69	8	–	92	–	96	†
37	New Tokyo (w)	Edinburgh Fund Mgrs.	242	0.5	265	–	–	100	–	97	381
	Commodities & Energy										
6	City & Foreign	MIM	128	1.1	144	2	98	–	–	99	177
5	New Darien (w)	Hodgson Martin	51	1.3	60	33□	65	–	2	69	64
†	North Sea Assets (q)	Ivory & Sime	52	1.4	†	†	†	†	†	†	†
16	Precious Metals Δ	J. Rothschild	112	0.7	137	3	53	3□	41	93	†
	Comm. & Energy (cont.)										
87	TR Natural Resources	Touche, Remnant	213	5.0	289	39	34	–	27	87	157
†	Viking Resources	Ivory & Sime	47	4.7	†	†	†	†	†	†	†
14	Wemyss	Edinburgh Fund Mgrs.	530	5.9	639	50	30	5	15	93	163
30	Winterbottom Energy	Baillie, Gifford	98	3.4	118	12	41□	15	32□	74	163
	Technology										
11	Baillie Gifford Tech. (w)	Baillie, Gifford	75	2.9	97	40□	58	–	2	81	†
82	Fleming Technology	Robert Fleming	160	2.1	207	42	37	18	3	98	223
94	Independent	Ivory & Sime	260	0.3	334	37□	59	–	4	88	280
353	TR Technology	Touche, Remnant	107	2.3	149	42	39	15	4	101	263
	INCOME GROWTH										
368	British Assets	Ivory & Sime	61	4.4	78	48	48	–	4	107	300
159	First Scottish American	Dunedin Fund Managers	348	4.1	437	93	4	–	3	112	301
71	General Consolidated Δ	Philip Hill	310	5.1	374	67	29	–	4	90	290
217	Investors Capital Trust	Ivory & Sime	283	3.6	339	99	1	–	–	98	†
37	Lowland	Henderson	130	3.1	143	88	5	–	7	105	476
160	Merchants	Kleinwort Benson	122	5.1	154	61	29	4	6	98	268
165	Murray Income	Murray Johnstone	156	3.3*	184	76	12□	–	12	93	334
266	Murray International	Murray Johnstone	157	4.5*	204	41	39□	10	10	91	294
191	Securities Trust of Scotland	Martin Currie Inv. Man.	166	4.1	210	59	25	10	6	103	324
	SMALLER COMPANIES										
46	Dundee & London	Dunedin Fund Managers	206	3.7	269	74	14	11	1	98	262
52	English & International (w)	MIM	150	3.3	193	60	24	13	3	109	275
78	F & C Alliance	Foreign & Colonial	106	2.3	143	44	28	14	14	106	255
16	Family	Kleinwort Benson	277	4.3	353	97	2	–	1	99	311
9	First Charlotte	Ivory & Sime	10	0.7	12	96	1	3	–	97	†
23	Fleming Fledgeling	Robert Fleming	139	2.6	177	68	30	2	–	96	272
61	Glasgow Stockholders	Gartmore (Scotland)	138	2.4	160	49	35	5	11	102	252
32	Govett Enterprise	John Govett	187	2.4	211	42	55	2	1	100	192
31	London Atlantic	Investors in Industry	198	4.5	260	72	15	–	13	93	258
22	Moorgate	Philip Hill	410	4.5	461	92	1	–	7	94	336
21	North British Canadian	Investors in Industry	240	4.1	307	92	6	–	2	103	272
62	St Andrew	Martin Currie Inv. Man.	133	3.1	179	58	23	15	4	95	302
218	Scottish American	Stewart, Ivory	307	3.0	389	45	37	8	10	97	242
41	Smaller Companies Int.	Edinburgh Fund Mgrs.	75	2.7	105	52	28	20	–	97	287
19	Strata Investments (w) Δ	Henderson	118	–	125	35	25	12	28	96	†
220	TR Trustees Corp.	Touche, Remnant	163	3.3	226	66	27	6	1	107	257
252	Throgmorton (w)	Throgmorton Inv. Man.	301	4.0	366	89	9	1	1	120	310
	SPECIAL FEATURES										
72	Ailsa Δ	J. Rothschild	116	2.7	140	44	30	12	14□	94	†
15●	Consolidated Venture (w)	MIM	106	1.1	141	15□	83	1	1□	92	219
157●	Drayton Consolidated	MIM	362	3.9	448	73	20	5	2	93	211
20	Edinburgh Financial (w)	Stanecastle Assets	42	3.4	51	90□	5	1	4	110	†
250	Ensign Trust	Merchant Navy Inv. Man.	143	1.7*	154	67	24	1	8	98	†
42●	Fleming Enterprise	Robert Fleming	345	3.7	422	99	1	–	–	94	320
282	Fleming Mercantile	Robert Fleming	145	3.5	190	53	31	9	7	94	258
23	GT Global Recovery Δ	GT Management	162	1.5	191	74	18	–	8	108	†
53	Murray Ventures (w)	Murray Johnstone	375	1.7	465	77□	5	8	10	89	286
89●	Nineteen Twenty-Eight Δ	London & Manchester	184	3.1	233	90	9	–	1	98	239
8●	Stewart Enterprise (w)	Stewart, Ivory	36	1.6	48	62	27	9	2	94	†
105	TR Property	Touche, Remnant	168	3.1	225	69	13	10	8	95	284
	SPLIT CAPITAL (x)										
26	Altifund 86/88	Gartmore	625	0.1	723	98	2	–	–	88	311
2	Child Health 87	Thornton & Co.	360	–	398	55	5	17	23	131	236
44	City & Commercial 88/93	MIM	738	–	1076	84	7	8	1	111	305
39	Dualvest 85/87	MIM	1500	–	1706	91	8	1	–	107	293
35	Fundinvest 85/90	MIM	362	–	480	80	10	9	1	106	290
2	Marine Adventure 88	Thornton & Co.	207	–	263	52	5	17	26	129	†
44	New Throg. (1983)(w) 08	Throgmorton Inv. Man	51	–	158	100	–	–	–	138	†
42	S. & P. Linked 95/97	Save & Prosper Group	370	–	768	100	–	–	–	115	387
23	Throg. Secured Growth –	Throgmorton Inv. Man.	355	–	467	100	–	–	–	71	262
100	Triplevest 87/91	MIM	1000	–	1425	89	10	1	–	110	286

NOTES TO THE TABLE

† No data.
* Applies to Ordinary/"A" Ordinary only.
□ More than one quarter in non-equity investments.
(x) Capital shares and winding-up dates.
z Incorporates recent revaluation of unlisted investments.
ac Adjusted for scrip issue.
ar Adjusted for rights issue.
(q) Published quarterly.
(w) Company has warrants or options in issue.
● More than 20% in securities or other assets included at directors' valuation.
Δ The Trust has provisions for a limited life. Please refer to the company for further information.
Ø Figures not directly comparable with previous month.

Cols. 1, 4 to 6 Figures supplied by Wood Mackenzie & Co. Ltd. members of The Stock Exchange. The figures in Cols 1 & 6 are simulated to date shown based on latest valuation supplied by the companies and made available to The Stock Exchange.

Col. 11 The gearing factor indicates the percentage amount by which the net asset value per share would rise if the value of the equity assets increased by 100 per cent. Further explanation is given in the booklet 'More for your money.'

Additional explanatory notes are available on request from The Secretary, The Association of Investment Trust Companies, Park House (6th Floor), 16 Finsbury Circus, London EC2M 7JJ. Tel: 01-588 5347.

INDICES OF FIVE YEAR TOTAL RETURN

+ Investment Trust Average	278
F.T.–Actuaries All-Share	312
* Standard & Poors Composite	317
* Tokyo New Stock Exchange	453
* Morgan Stanley Cap. Int. World	344

+ Excludes split capital.
* Adjusted for exchange rate changes.

• FINANCE & THE FAMILY •

The taxpayer who turned detective

One of the enquiries to Briefcase on March 8 mentioned form 930. When dealing with a computerised tax office before my retirement, I received a form 930 each year as a matter of course. Now, having been switched to a manual tax office, forms 930 are no longer forthcoming, and the solicitor who deals with my tax affairs does not appear to wish to press the inspector to supply one each year. Consequently, if I am to make any sort of check on the various assessments, I am necessarily involved in the time-consuming detective work of trying to deduce the allocation of the tax rate-bands—and so compile my own form 930. Can the taxpayer insist on form 930 being supplied by the inspector? I should perhaps add that since the forms 930 dried up my solicitor's clerk has himself prepared a rough form 930, but does not seem keen to let me have a copy. It seems absurd and time-wasting for both myself and my solicitor's clerk to have to do what is in effect unnecesary work.

Inspectors often consider forms 930 to be unnecessary where a taxpayer has an agent to check his tax position.

Your solicitor will doubtless be prepared to give you as much detailed information as you are prepared to pay for. The more time he spends on your case the higher will be his fee, of course.

Misled by Revenue

I refer to Briefcase of March 22 "A wife and gains tax." Recently I wished to sell the freehold of a small lockup shop inherited from my husband and on enquiry at my local Inland Revenue office was told that as no tax had passed on his death, I should be liable to CGT calculated on the difference between present and 1965 values to be assessed by the relevant local borough surveyor (or whoever). I did not proceed with the sale. I presumed the same rule would apply to shares, but according to your reply this is not so. Are there two different rules for property and shares, or was the tax office in error?

It looks as though you were misled by the staff at the tax office. Counter staff are generally fairly junior, so their advice and opinions are not as reliable as the public has a right to expect. The increasing complexity of the tax rules laid down by Parliament, and the growing number of officially authorised departures from the law, have left many tax officers a little confused. The majority of tax officers undoubtedly do their best to keep up to date with the law and to serve the public but, as most MPs appear disinclined to make the tax laws simpler, the number of taxmen's errors of law will almost inevitably continue to rise.

The solicitor who acted in your husband's estate is best placed to guide you, because he or she knows the precise background facts, as well as the law. Since you will presumably be using the solicitor's services in the sale of the property, the incidental tax advice is unlikely to add much to his or her conveyancing charges.

University dilemma

The first of our children may get to University in three years' time, at the age of 18.
(i) Is there any way of ensuring that the authorities contribute a reasonable amount to the fees and support by persuading them to base their assessment on the child's own assets, which will be small, and not on our means—we are top rate tax payers!
(ii) If not, how much will it cost us, assuming a reasonable standard of living at Oxbridge?

(i) Not unless you genuinely throw them out, and refuse to support them in any way whatsoever.

(ii) It depends what standard of living you consider reasonable. If you have no acquaintances who can give you the benefit of practical experience, the National Union of Students may be able to give you an idea.

The bank is right

Is it necessary for interest earned on deposit in the Isle of Man to be sent to the depositor in the UK in order for it to be assessable to UK income tax or is it sufficient for the interest to be credited to the depositor's account? The point is relevant for persons, particularly children, wishing to utilise the personal allowance each year on income paid gross. This advantage would be lost if the interest is assessed when it is withdrawn after several years and exceeds the personal allowance. The bank in question seems to think that it is sufficient for the interest to be credited to the account but does not appear to be sure of the position.

The bank is right—unless the person concerned is domiciled overseas or is not ordinarily resident in the UK. The basis of the assessment is complex (as confirmed in Hart v Sangter) but presumably we need not go into details, for your purposes.

Falling off a ladder

May I please seek your decision on my liability (if any) under the Employers Liability Act if I engage a self employed painter to paint the outside of my residence, and he falls off the ladder and sustains a serious injury?

You would not incur liability where you to retain the painter as an independent contractor. He would have no contract of service with you (ie is not your employee) and so no statutory duty would arise under the Employers' Liability (Defective Equipment) Act 1969. There would also be no liability at common law unless you supplied the ladder in circumstances where you knew, or should have known, that the ladder was defective.

Problem of extra land

My home, purchased 30 years ago, has 3 acres of land, one of which is surplus to my requirements and was for several years fenced off and unused. It was brought back into use following the illness of my wife and her relative restriction of movement. She is now able to travel further afield.

What is the tax position on the proceeds of the sale of the now unwanted acre of land (a) in the event of a direct sale: (b) in the event of a gift to a son to build a house for occupation by his wife and himself? Are there any special steps that might be taken to ease the tax situation?

(a) There could be a CGT liability, on the basis of a contention that, although the land in question continues to be occupied and enjoyed by your wife and yourself as part of your grounds up to the day of sale contract (or completion), it was not in fact "required for the reasonable enjoyment of" your house as a residence. Ask your tax inspector for pamphlet CGT4 (Owner-occupied houses).

(b) There would be no CGT liability: you and your son would simply have to submit a joint claim for relief under section 79 of the Finance Act 1980. The solicitor who prepares the conveyance will be able to guide you through the tax maze (at little extra cost, probably).

Negligent accountant

My wife owns the small-holding on which we live. In addition to the main residence there is a furnished cottage and a furnished caravan which are let as dwellings. The tenants usually stay for a few weeks up to several years. Additionally there are stock sheds and fields which are let to other tenants for agricultural use. We both retired or reached retirement age in 1982 and the income is essential to our existence on this property.

H.M. Inspector of Taxes deems the income to be investment income and, therefore, my income. Following agreement in 1980 between my accountant at the time and the Inspector my wife was paid a notional salary each year up to 1983-84 so that she could claim wife's Earned Income Allowance.

In 1984 the Inspector instructed me not to include my wife's salary in the letting accounts in future as it was not an admissible expense in arriving at the profit on lettings; however, WEIA would be given against the assessment made on this income. (It was.)

In the 1984-85 accounts my wife's salary was therefore omitted. The Inspector now says "I have to recheck with you the question of allowing WIEA against this income."

Although my wife does not let any accommodation for holidays, in 1984 the Inspector stated that "new legislation is pending regarding furnished Holiday Letting and I will need to reconsider the entitlement to the WEIA when the appropriate draft legislation becomes law." Again, in this year's correspondence he asks "is the caravan and cottage available for commercial letting to the public as holiday accommodation or is to let to the same tenants throughout the year?"

Can you tell me what is the significance of these references to holiday letting?

I would like to argue the case for WEIA on the basis of the original agreement between the Inspector and my accountant in 1980. Has there been any subsequent legislation, precedent or ruling which would undermine my case?

Since the property belongs to your wife, the salary which you have been paying to her cannot relate to anything which she does in relation to the property—because the work she does is for her own benefit, not yours. Maybe your accountant thought the property belonged to you, when suggesting you pay her a salary. There appear to be no grounds for treating the case VI assessments as earned income, and the circumstances fall outside the scope of section 50 of the Finance Act 1984, which gave earned income relief on certain income from letting furnished holiday accommodation (retrospectively from 1982-1983). You therefore face retrospective tax demands, to claw back the WEIA given by mistake, we are sorry to say, except on the salary which you paid her.

Your former accountant has a prima facie case of negligence to answer, for payment of the salary has merely created assessable income (and thus inflated your joint income, to no apparent purpose).

BRIEFCASE

Freehold transfer

I am the owner of the freehold house in which I and my husband reside. With the aim of reducing the not inconsiderable liability to Capital Transfer Tax which will arise on my death it has been suggested that I transfer the ownership of my house to our only daughter, such conveyance being free of Capital Transfer Tax, but would I think absorb at least £60,000 of my tax-free CTT exemption. Our daughter would allow us to continue to live in the house rent-free so long as we would wish to do so.

May I please have your opinion on the following—
1) Are we dependent relatives of our daughter having regard to our income which is more than enough for our modest needs plus the fact that although aged we are in sound health and not incapacitated.
2) Would the Inland Revenue challenge the proposal on the ground that it is between connected persons the main object being to reduce the Capital Transfer Tax liability on my death?

1) No

2) It seems unlikely. A taxpayer is free to dispose his affairs with a view to obtaining the maximum tax advantage.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Changed annuity

In the event of a large professional partnership deciding to terminate an existing arrangement whereby its retired partners (annuitants/consultants) at present receive their annuities by taking a share of profits: and instead to offer them either an annuity arranged with an insurance company or a cash equivalent—would the cash sum be subject to Income Tax or to Capital Gains Tax?

Whether the cash be in commutation of a partnership annuity or be a solatium for the termination of a consultancy contract, the answer appears to be CGT.

Unfair on diesels

I have a 2.3 litre Ford Sierra as a company car. This is a diesel model and the performance is poorer than a 1.6 litre petrol model. I am taxed on the scale charge for a car over 2 litre. This seems unfair to me as the diesel is much more economical than low capacity petrol models. Is there anything I can do about this?

The 1976 car-benefit rules were primarily designed by the Labour Government to cut the workload (and hence the numbers) of PAYE staff. The rules make no pretensions to equity, therefore.

You will doubtless have seen the Chancellor's car-benefit proposals for 1987-88, in the FT of March 19.

Personal Allowances

Relief—of sorts

A BASIC feature of the UK tax system is the raft of personal allowances that enables a part of everyone's income to float free of tax.

Every man, woman and child resident in the UK is entitled in the present tax year to receive income of at least £2,335 before the Government starts seeking its share by way of income tax. (National Insurance liabilities do, however, arise for most people earning £38 or more per week).

The basic sum of £2,335 may be increased depending upon a person's individual circumstances. A married man, certain one-parent families and widows recently bereaved may each receive the higher sum of £3,655.

To qualify for such allowances, however, the individual must be resident in the UK for tax purposes for a particular year. For income tax purposes, the UK comprises England, Wales, Scotland and Northern Ireland—but not the Channel Islands or the Isle of Man.

Whether you are resident in the UK for a tax year depends in large measure upon whether you are physically present there for a sufficient period in the year and whether you maintain a home there. The Inland Revenue publishes a free booklet on the subject entitled "Residents and non-resident liability to tax in the UK" (IR20, 1983).

In broad terms, an individual resident in the UK pays income tax on his worldwide income. A non-resident individual, however, can be taxed only on his UK income. Income earned abroad by such an individual is accordingly free of UK income tax even though it is brought to the UK and spent or enjoyed there (although VAT, for example, might then be payable).

UK employment earnings, interest and dividends from UK sources, rents from UK properties and royalties from UK patents are all species of income that may still be within the UK income tax net.

Such a person's liability to income tax might, of course, be affected by the terms of any double taxation treaty negotiated between the UK and the person's country of residence.

Quite apart from any treaty relief, however, there are certain people who may make a claim for personal allowances to set against UK income even though they are non-resident. These include British subjects; citizens of the Irish Republic; Crown servants; missionaries; employees of a UK protectorate; residents of the Channel Islands and the Isle of Man; those previously UK resident but now resident abroad for health reasons (including those of a member of the family); and widows of Crown servants.

Normally, the allowances are simply deducted from a person's income, with income tax charged on the balance (subject to any other available tax reliefs such as pension payments).

The tax relief that can be obtained by a non-resident individual falling within one of these categories is, however, limited. The allowances cannot reduce the tax payable on the UK income below the amount arrived at under the following formula:

$$\frac{A \times T}{B}$$

Where "A" is the UK taxable income, "B" is the individual's total worldwide income and "T" is the UK tax that would be chargeable if the total worldwide income were within the scope of UK tax.

Assume a single individual with UK income of £3,000 and foreign income of £13,000. Without personal allowances, he would pay tax of £870; with a full personal allowance of £2,335, this liability would be reduced to £192.85.

However, if all his income were subject to UK tax his total liability would be £3,962.85 of which the proportion attributable to UK income is $\frac{3}{16}$, or £743. Accordingly, the value of the relief is limited to £127.

The restriction might actually deny relief altogether, depending upon the size and relative proportions of UK and foreign income. In addition, where there are substantial UK dividends or UK bank interest that would be exempt from tax by concession, there might be no benefit in claiming the relief.

Normally, the income of a married man includes that of his wife, provided they are not permanently separated. Until a court decision in 1984, the Revenue also aggregated the wife's income in applying the formula set out above.

The court decided, however, that this was wrong and the Revenue now accepts that the income of the wife that is not chargeable to UK income tax should be left out of account.

Many of those affected will find their position is reviewed automatically by the Revenue. However, for others it could be necessary to claim supplementary relief before the end of 1986.

Malcolm Gammie

Alan Ellis samples a rich mix of scenery and food

China sweet and sour

TRAVELLERS to China with limited time will find that All Under Heaven's traditional gateway for westerners — the triangle of the Pearl River (Zhu Jiang) estuary, with Canton (Guangzhou) at its apex and Hong Kong (Xianggang) and Macau (Aomen) at its base—provides a fine profile of the country. A rich blend of scenery and history, and a comfortable passage to another world, are topped off by one of the world's finest cuisines.

Canton embraces many characteristics of China. The luxury White Swan hotel stands on Shamian (Sand Flat) Island, once a Franco-British concession and which today remains covered by the former mansions and offices of 19th-century traders.

Nearby are Shisanhang Lu, Thirteen Factories Street, once the location of foreigners' opium stores and a springboard for the then forceful opening of China, and downtown where fine restaurants await.

I would not have experienced any of this and much more had I believed British travel industry advice or accepted the attitude of the Chinese Embassy visa section in the then inadequate explanation of the complex rules governing visas, for I would not have set out independently at all.

Some travel agents and tour operators would have you believe China is available through package tours only: that independent travel is near to impossible; and where it is possible, that it is prohibitive in terms of access, mobility, hotel infrastructure and cost. The picture is false. Accommodation and travel facilities in and between a few popular centres, however, are stretched at peak visitor periods.

Last summer I spent 10 weeks covering 7,500 miles independently, freely and easily. Of 35 centres I sought to visit one alone was "closed" to me. I had no serious problems obtaining tickets myself at booking offices. My average daily spending on transport, accommodation and food totalled £15, not the £70 minimum the travel industry said would be imperative.

True, I seldom stayed in luxury hotels built in some cities for foreign tourists. To reach grass roots and make Chinese friends I stayed mainly in older hotels at £10 a night for a double room. These were adequate and often rather nice. China accommodates all budgets: travelling independently you can pay up to £53 for a double room or less than £3 for a mixed-sex dormitory bed, and eat well for under £3 a day.

To travel free of package tour restrictions takes you deeper into a land of visual pleasures and awesome presences. Here Buddhist, Moslem and Christian tradition co-exist with Communist thought, and the histories of dynasties and revolutions stand beside each other. There is so much to explore and enjoy—from simple rural scenes, such as riverine life along the rail line from Hangzhou to Ningbo, or Shandong farmers threshing corn by hand, to museums of revolution and a stunning imperial architecture.

History on view: at Humen, midway between Hong Kong and Canton, this monument recalls China's resistance to Britain in the First Opium War during the first half of last century

Independent travel also gives you greater access to a land rich in humour, warmth and spontaneity on buses, trains, in small hotels, restaurants, and on the streets. Welcomes are abundant; people want to be friends; many speak English; occasionally, you meet a hustler.

China's image in the West as a nation dressed in dull Mao suits and submissive to political dogmatism could not be further from the truth. The China of the picture-books is alive and well. It remains the land of willows, red lanterns and firecrackers, although it is not unalloyed pleasure — you need a universal plug for some facilities and a strong stomach to cope with expectoration. For me it was fun from the moment I entered China at Manzhouli on the Trans-Siberian Railway from Moscow.

I took in some of the "musts." These included the Great Wall; Peking's Forbidden City (today, the Palace Museum), Summer Palace and Old Summer Palace (the Park of Perfection and Brightness built in 1709 with Jesuit help and twice destroyed in European interventions); the terracotta soldiers and Great Mosque at Xi'an; the Manchu palace at Shenyang (Mukden); the fine beach at Tsingtao (Qingdao), Bavaria-by-the-Sea; dawn from atop Mount Tai, holiest of the five sacred mountains; Confucius's home at Chufu (Qufu); Buddhist rock sculptures at Luoyang; Suzhou's gardens; Wuxi's lake and Nanjing's Rain Flower Terrace execution ground.

In effervescent Shanghai I listened to jazz at the Peace Hotel (where, when it was the Cathay, Noel Coward wrote Private Lives); took tea at the Wuxinting Teahouse by the old city's Mandarin Gardens; and drank beer at what was once the longest bar in the world, in the former Shanghai Club on the bustling waterfront boulevard once known as the Bund.

It is, however, towns and places off the beaten track where you touch the heart of China. Typical were those on my exit by tiny riverboat from Canton, sailing leisurely down the Pearl River for six hours and 56p to overnight at the small riverine town of Tiger's Mouth (Humen), midway to Hong Kong. The friendly crew took me to their bridge, indicated Opium War battle sites and centuries-old pagodas, and, at night, invited me to dine on the quay.

At Humen is a memorial to 19th-century resistance to foreign impositions, and the pits in which in 1839 China destroyed the annual opium crop brought from India by British merchants to smuggle into China, the destruction inadvertently presenting to Britain the pretext for hostilities which led to acquisition of Hong Kong as a colony in 1843. Humen is well worth a visit, even as a day-excursion from Hong Kong. From it Shajiao Fort, site of the battle of Chuenpi in 1841 and a naval base today still, is easily reached by taxi.

Between Humen and Hong Kong the £5 single, two-hour Chinese hydrofoil passes through The Bogue (Bocca Tigris, Tiger's Mouth), the narrow water passage which guards access to Canton and which the Royal Navy first forced in 1834.

The hydrofoil passes Lintin (Solitary Nail) Island, once the smuggling entrepôt which harboured hulk receiving-ships and commanded more commerce than did legitimate trade at Canton. The wispy-cloud capped island offers a romantic, scenic farewell by, or welcome to, All Under Heaven.

Details

CHINA WELCOMES all visitors including hard-currency, pre-paying package tourists and independent tourists. It tries to regulate arrivals at peak visitor periods because of pressure on bed space in some cities and on domestic air and train services. Once one is inside China restrictions almost disappear.

Visas: Independent travellers to China can obtain a 10-day transit visa from the Chinese Embassy. Officially these cannot be converted to tourist visas at points of entry. In practice, thousands of independent travellers have made the switch on arrival.

New visa rules were introduced last autumn allowing the holder of a tourist visa to visit 100 cities without further formalities. To see other places visitors must obtain an Alien's Travel Permit from the Public Security Bureau, the police, after arrival in China. Tourist visas for November-March are available directly from the Chinese Embassy visa section. For April-October they must be obtained through China International Travel Service in Peking. China National Tourist Office in London issues a circular and gives advice on visas. PSB and CITS offices were everywhere helpful.

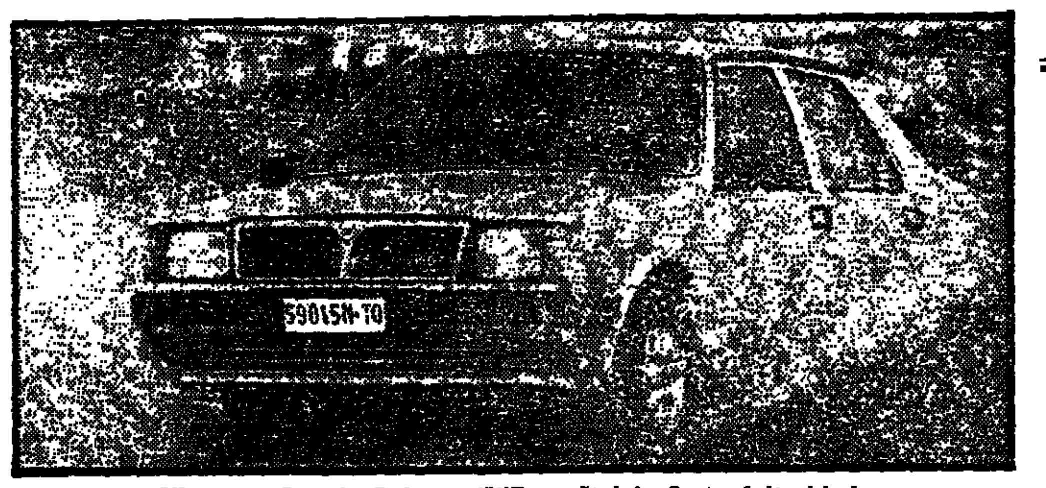
Guides: The national tourist office also offers town guides and maps. An invaluable book is China—a Travel Survival Kit, by Alan Samagalski and Michael Buckley (Lonely Planet, 1984; £9.95). The Berlitz Chinese for Travellers (£2.45) is useful.

Useful addresses: China National Tourist Office, 4, Glentworth St, London NW1, telephone 01-935 9427.

Chinese Embassy Visa Section, 13, Weymouth Mews, London W1N 3FQ, telephone 01-580 2268.

Stuart Marshall reports on the Motor Show

Lancia—the torque of Turin



The new Lancia Prisma 4WD . . . Italy's first of its kind

THIS YEAR, it is Lancia's turn to steal big brother Fiat's thunder. At the Turin Show, which opened on Wednesday, Lancia has two exhibits that are intended to reinforce its reputation—and to some extent restore it so far as Britain is concerned — as a maker of sporting, high-performance cars of advanced design and real quality.

First, and by far the most important long-term, is a substantially revised and improved Prisma range of saloons, including a permanently four-wheel driven version that must offer competition to the least expensive Audi Quattros.

Less relevant to mainstream motor manufacture but potentially a great image builder is a 150 mph, Ferrari V8-engined development of the Thema luxury saloon.

New 1.6 litre and 2 litre engines have been introduced into the Prisma range. The existing 1.6 litre carburetted and fuel-injected engines have been modified for greater efficiency. And there are two Prisma diesels, including a turbocharged one with the same 80 bhp output as the 1500 petrol-engined saloon.

Externally, there is not much difference. The new models have shapelier and, it is said, more impact-resistant bumpers, revamped interiors, minor refinements for style and economy, and larger tanks.

In launching a permanently four-wheel driven car, Lancia is breaking new ground for an Italian manufacturer. There are, of course, two Italian 4x4 cars already—the Fiat Panda and Alfa 33 estate—but these have selectable four-wheel drive for added traction in difficult conditions.

The Prisma 4WD's engine is permanently connected to all four wheels, with its power distributed 56 per cent to the front, 44 per cent to the rear. This, Lancia says, ensures that more torque goes to the wheels carrying the greater proportion of the car's weight and retains some of the virtues of front-wheel drive like stability in crosswinds and a safe degree of understeer on corners.

Lancia's choice of four-wheel drive system is similar to that of Volkswagen, whose Golf Syncro also features a Ferguson viscous coupling. This not only serves as a centre differential, to prevent stress developing in the drive line on hard, dry roads, but concentrates the traction on the wheels that are gripping best on a snow-covered road.

I have not driven either the Prisma or V8 Ferrari-engined Thema yet but it strikes me as a pity that the 150 mph Thema does not also have four wheel drive. The thought of putting no less than 210 hp on to the road through the wheels that are also expected to steer the car and provide a lion's share of cornering and braking is intimidating. But at least the V8 does not have a turbocharger increasing power with a sudden rush and risking wheelspin and front-end misbehaviour on wet roads.

The Ferrari-engined Thema 8.32 (eight cylinders and 32 valves) is said to get from a standstill to 62 mph in six seconds—on dry roads only, I will be bound.

Only five Thema 8.32 cars are being produced each day. They will be available for export in late Autumn. Lancia aims to make each one a personalised car and will encourage buyers to propose items of extra equipment until a few days before delivery.

Although Lancia sales in Britain are unexciting, in Italy things are looking up. Over 22,000 Themas were sold in its first year and Lancia as a whole has 1 per cent of the Italian home market.

Turin is, above all, the coachbuilders' show. There are one-off cars galore, all intended to catch the visitor's eye and display the constructor's creativity. One of the most talked about is the Austin-Rover Group's Rover Coupe Concept Vehicle (CCV). This low built and aerodynamically efficient two-door, four-seater uses mechanical components from the Rover 800 saloon, due to make its debut this summer.

It is conventionally made, though the front and rear are moulded impact-absorbing structures designed to meet US standards. The entire canopy is flush-glazed and the fascia is an interesting mix of advanced electronics and normal dials. But the furnishings are traditionally British, with walnut trim and hide seats.

Much more down to earth is the Range Rover Turbo D, the diesel-engined Range Rover which potential customers, especially a mainland Europe, have been demanding for years. It is powered by a similar 2.4-litre, four-cylinder Italian VM engine to that used in the Rover 2400TD saloon car. In the Range Rover, the engine is turbocharged and intercooled. Rover claims it to be the fastest diesel-powered vehicle of its kind. The top speed is over 90 mph; it will return about 35 mpg when cruised at more modest pace and is said to be refined. The price is a hefty £18,109.

Two new diesels from Fiat

FIAT introduced two new diesel cars at Turin. The little Panda utility hatchback has a 1.3 litre 37 horsepower engine giving it a top speed of 81 miles per hour and an average consumption of more than 50 miles per gallon. The Uno turbo diesel, with a 70 horsepower 1367 cc engine, goes as well as a petrol engine car but will average more than 55 miles per gallon. That reflects the turbo diesel's greater efficiency and the Uno's higher gearing and lower aerodynamic drag than the Panda.

Twenty-five per cent of all cars sold in Italy last year were diesels. Although the fuel is no longer as spectacularly cheap as it used to be, it is still among the cheapest in Europe compared with the price of four star petrol. There is a hefty surcharge on the annual car tax but after 12,000 miles, the Italian diesel car owner cuts his running costs by half.

The only part of the Italian market in which Britain has a significant share is in four-wheel-drives. Despite restrictions on Japanese cars, the best seller is the small Suzuki but our own Land Rover and Range Rover together take second place. Land Rover had the wealthy Italian 4 x 4 owner very much in mind when developing the new Range Rover Turbo D.

Traditionally Turin is the show where the specialist coach builders display their latest wares. There has been a tendency recently for them to show concept car prototypes that are no more than a beautiful shape.

But one working prototype attracting a lot of attention was an armoured Fiat Panda with special steel plate panels, tough enough to resist small arm fire, superimposed on the original three door body. The tailgate is sealed off and an armoured glass roof hatch added. The constructors, Repetti and Montiglio will not quote a price, but it can only be a fraction of the cost of the usual armoured car based on a Mercedes Benz. The bullet proof Panda seats four, has ports through which the crew may return fire from terroists and is nimble enough to operate in narrow city streets. The Royal Ulster Constabulary might like to know that the Turin show is open all next week.

CHESS

AT THE recent IBM Vienna tournament Viktor Korchnoi, now 55, shared first prize ahead of his old rival Anatoly Karpov. At the Swift banking event in Brussels this month Korchnoi was runner-up to Karpov but ahead of a still stronger field. The exiled Russian's chess longevity is remarkable; among top active grandmasters he is the second oldest after Smyslov. While Smyslov has opted for a quiet positional style, avoiding sharp tactical play to conserve energy, the combative Korchnoi never shirks a chessboard argument.

A typical Korchnoi game is complex, full of barbed tactical points requiring exact calculation: or else he takes a risky pawn or two and hangs on through ingenious defence against all opposing threats.

The current World Chess Federation (FIDE) rating list shows Korchnoi in sixth place; but his latest performances should advance him to fourth behind Kasparov, Karpov and Yusupov when the next list appears in July. Nigel Short then will be around seventh, and Korchnoi is now the one player clearly ahead of Short as best in the West.

Soviet attitudes to their former champion remain at best ambivalent. Following a FIDE resolution opposing boycotts, Karpov and others now appear in the same tournaments as Korchnoi; they shake hands before the game and analyse together afterwards. A recent issue of the chess journal '64' at last gave a full uncensored version of the FIDE rankings, including Spassky as a representative of France and Lev Albert playing for the US. But the stairway at the Leningrad Chess Club has the photos of former champions jumbled up out of sequence so as to mask the absence of the years when Korchnoi was champion; while the sports journal "Sovietsky Sport" gave daily front page coverage to Brussels 1986 without ever listing Korchnoi among the players.

A striking aspect of Korchnoi's repertoire is that he is almost the only leading grandmaster who relies on the French Defence 1 P-K3 as his normal reply to 1 P-K4. He has won or drawn against strong GMs like Timman and Nunn with the unfashionable system. 2 P-Q4, P-Q4; 3 N-QB3, N-KB3; 4 P-K5, KN-Q2; 5 P-B4, P-QB4; 6 N-B3, N-QB3; 7 B-K3, PxP followed by exchanges of pieces including the queens at Black's Q4 or QN3. But when he expects to defeat a weaker rival his preference is the complex 3 . . . B-N5 which provokes many opponents to overreach, as happens in this week's game.

White: M. Santo-Roman (France).

Black: V. Korchnoi (Switzerland).

French Defence (Cannes 1986).

1 P-K4, P-K3; 2 P-Q4, P-Q4; 3 N-QB3, B-N5; 4 P-K5, P-QB4; 5 B-Q2 (5 P-QR3 is more critical), N-QB3; 6 N-N5, BxB ch; 7 QxB, NxQP; 8 NxN, PxN; 9 0-0-0?!

White challenges the great man to double-edged play with castling on opposite sides. This strategy has a fundamental weakness—an attack against a Q-side castled king can operate on a broader front—so the solid 9 N-B3, N-K2; 10 QxP 0-0; 11 B-Q3 followed soon by 0-0, is preferable.

9...N-K2; 10 QxP, N-B3; 11 Q-KN4, 0-0; 12 N-B3, B-Q2; 13 B-Q3, P-KR3; 14 P-KR4, Q-N3; 15, R-Q2, Q-N5! 16 Q-N3.

If 16 QxQ, NxQ; 17 K-N1,NxB the endgame is at least equal for Black since White's P-KR4 has weakened his pawns.

16 Q-R4; 17 K-N1, QR-B1; 18 P-R5, N-K2; 19 R-K2.

White hesitates between attack and defence: better R-R4-KN4.

19 B-N4; 20 N-Q4, BxB; 21 PxB, N-B3; 22 N-N3, Q-N4; 23 R-R4, N-N5; 24 R-Q2, NxRP!

A surprise, decisive blow which White thought he had stopped by R-R4 directed against Q-R5.

25 KxN, R-B3; 26 P-Q4.

For if 26 N-Q4, Q-R4 ch wins the rook.

26 Q-R3 ch; 27 K-N1, Q-B8 ch; 28 Resigns. If 28 K-R2, R-R3 ch.

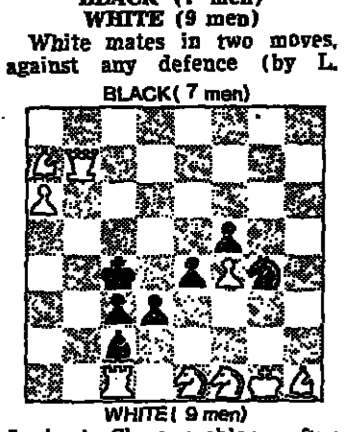
PROBLEM No 617

BLACK (7 men)

WHITE (9 men)

White mates in two moves, against any defence (by L. Lachay).

BLACK (7 men)



WHITE (9 men)

Chess problems often have artificial settings, but this position is game-like, a situation where Black has been slow to resign and White seeks the quickest finish.

Solution Page XV

Leonard Barden

BRIDGE

MANY A hand is misplayed by the declarer because he does not study the position and understand the problems involved. Two deals from rubber bridge show what I mean. Here is the first:

	N ♠ J 9 7 ♡ 10 5 4 ◇ 8 7 6 5 3 ♣ 7 3	
W ♠ 5 3 ♡ Q 3 ◇ J 10 9 2 ♣ J 10 6 5 4		E ♠ K 2 ♡ K 7 6 3 ◇ Q 4 ♣ A K Q 9 2
	S ♠ A Q 10 8 6 4 ♡ A J 9 8 ◇ A K ♣ 8	

At game-all, East dealt and bid one club. South thought he was good enough to force to game with two clubs, and I agree with him. North replied with two diamonds and raised the opener's rebid of two spades to three, and South closed the auction with four spades.

West made the club knave, and a second club was ruffed in hand. Declarer led a low spade to the seven and king and East returned the diamond queen. Winning with his ace, South crossed to the spade nine and returned the heart ten, which lost to the queen. Taking West's diamond knave the declarer crossed to the spade knave, returned a heart, and finessed his eight. With no further entry to the table, he cashed the ace, but the king did not fall and the contract was defeated.

Let us take South's cards. We see that we must lose one spade and one club. Therefore, we must find at least one heart honour with East.

The first five tricks are as before; but when we reach dummy via the spade nine, we realise that East might hold four hearts. We would need an extra entry to dummy—something we do not possess. But we can overcome this difficulty. Instead of returning the heart ten, we lead the four and lose to the queen. When we cross to the spade knave, now we play the ten of hearts. If East does not cover, the lead is still in dummy.

A simple hand, but many Souths would get it wrong.

The second hand is tricky, and needs careful timing:

	N ♠ A K 6 2 ♡ Q ◇ 10 6 ♣ Q J 10 9 7 3	
W ♠ 9 5 3 ♡ J 10 9 7 5 ◇ J 8 ♣ A 8 5		E ♠ Q J 10 8 ♡ 6 4 3 2 ◇ A 5 4 2 ♣ K
	S ♠ 7 4 ♡ A K 8 ◇ K Q J 9 8 ♣ 6 4 2	

South dealt at a love score, and opened with one diamond. North replied with two clubs and South rebid two diamonds. North now bid two spades—a responder's reverse, which is forcing—South said two no trumps, and North raised to three.

West's heart knave was taken by dummy's queen and the declarer returned the diamond ten. East allowed it to win—if he wins, the contract sails home. South switched to clubs, dummy's queen losing to the king. Seeing no future in hearts, East led the spade queen to dummy's king and a club return lost to the ace. West's spade nine was overtaken by the ten, East cashed his diamond ace, and led back the knave of spades. The declarer could run his clubs but he had to lose another spade and went down.

To lead the diamond ten at trick two has a plausible look, but the club queen is the correct card. East wins and leads the spade queen to dummy's king, and now the diamond ten is played. East must duck, South overtakes, cashes one of his heart honours, and switches back to clubs. Nothing can prevent declarer from making two spades, two hearts, one diamond, and four clubs.

E. P. C. Cotter

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DIVERSIONS

Archaeology

Diggers' code

IN OUR old towns and cities each development site gives a unique chance to learn about our past through rescue archaeology, before it is lost for ever to deep foundations and concrete. To make the most of what is usually a tight timetable needs co-operation, common sense and candour from developers and archaeologists. The recent record in London and York and many other historic towns has been remarkable for these qualities.

Gone (I hope) are the days when a foreman would tell workmen to pour concrete over a Roman mosaic that had just appeared. This happened in Chichester around 1958—the workmen told me about it when I was digging there as a schoolboy.

There still are difficulties though. At Lechlade, for instance, there is a dispute at the moment over who will pay for the remaining study, conservation and laboratory work — just as important as the actual digging — of an extremely significant Saxon cemetery found last year.

So, this week's launch of a voluntary code of practice by the British Property Federation and the Standing Committee of Archaeological Unit Managers covering rescue excavation and study is a welcome development which should remove future awkwardnesses. The aim is to promote co-operation between the two sides, so that all will know who is doing what for how long and who is paying for it. It is a pioneering idea, which will be watched closely on the Continent, where there is plenty of respect for such bodies as the Department of Urban Archaeology in London. DUA has completed over 125 digs on time, leaving the site free for builders.

The code should more than meet the requirements of the Ancient Monuments and Archaeological Areas Act 1979 while having the flexibility of a voluntary non-statutory agreement. Much of the code is sympathetic common sense. Both sides should start discussion and planning as early as possible, and make a written agreement which should be stuck to strictly. It is essential — not least for future co-operation — that the archaeologists vacate the site at the stated time. They must report on what they are doing, arrange displays as necessary, acknowledge the financial support of the developer and/or owner to deposit the finds in an appropriate museum. Thus the public will see and read the results of what is being done for its benefit now and in the future.

The developer's principal commitment is to allow enough time and money — even if recouped in the rent roll later — for the archaeologists to do a proper job. Since no dig is complete till it is published, that should ideally include financing post-excavation work as well as excavation and survey. And the developers should help with prestigious publicity and have at the back of their minds the possibility of preserving truly important remains in situ.

In London Rosehaugh/Stanhope, Speyhawk, Haslemere Estates, Wates City of London Properties, Legal & General Assurance and the City Corporation itself have all been models of help and understanding. I am not surprised that two of these were listed in this newspaper (January 7) by Colin Amery in his "troika of architecturally conscious developers."

What the archaeologists do varies from site to site. It may be a watching brief, keeping an eye on what the bulldozers are turning up. And that can have sudden results, such as finding mid-Saxon London at Jubilee Hall, Covent Garden (a Speyhawk development) last year. But putting all hands to the trowels is not so common nowadays as it used to be.

More usual is an investigation which, from the developer's initial planning enquiries to completion of excavation, and subsequent study, may take archaeologists several years—but only a fraction of that time for the developers. Before any digging, historical and archaeological records will be checked. If the site is in the country, air photographs, geophysical surveying (to detect magnetic anomalies which may reveal ancient structures) and field walking help to show what is on or under the surface.

Another way is to make a trial dig, as the Oxford Archaeological Unit is doing now at a gravel quarry site at Thatcham near Newbury (ARC Group). Such trials may last a week to three weeks costing in all perhaps £3,000-£7,000, and may be all that is required. But if more work has to be done, then accurate and realistic plans and budgets are easy. At Thatcham the Berkshire County Council insists the developer pick up the tab for all archaeological work.

At Butler's Field at Lechlade, land for housing development belonging to the Cotswold District Council, there were no trials but a full dig from the start. The rich Saxon cemetery was a surprise to which the preliminary surveys gave no clue, as happens from time to time. The Historic Buildings and Monuments Commission (or English Heritage) had given consent as it was a scheduled ancient monument; but that was based mainly on the land being close to known Roman and prehistoric remains. Not too much was expected.

Once digging began, it was another story. There were rich burials with weapons and jewellery: swords and spears, bronze brooches, amber and glass beads, even cowrie shells from the Indian Ocean used as amulets (protective charms) by women. Even the young were buried with finery. An 18-year-old girl had a silver and garnet necklace, and a two-year-old a silver necklace, a garnet set in gold and an amethyst bead.

The cemetery is unique in the Thames Valley as it combines pagan and Christian burials of the 6th and 7th centuries. Other pagan cemeteries went out of use when Wessex became Christian. And the pagan graves are mostly women, suggesting some discrimination by sex. (I have found the opposite in Minoan Crete, a multiple tomb with only men—and no clue where the women went.)

Butler's Field has to be of the highest importance for the history of religion, society, the economy, technology and health in Anglo-Saxon England. Its 250 skeletons are a marvellous source of information on early diseases and pathology. The metalwork is to be investigated to see how the pieces were made and where the supplies came from. The textiles appear to be the largest Saxon collection we know.

But work on these remarkable finds is stopping in a dispute as to who will pay the £16,000 needed to finish the post-excavation processing and especially the examination of the skeletons and the drawing, photography and final conservation of the objects. These are essential steps before the specialists can start their analyses. The cloth sticking to the backs of brooches or on swords, for instance, must be separated before the metal—or indeed the cloth—can be examined fully.

The Cotswolds District Council allotted initially £10,000, which was increased to £32,500. Will they pay the rest? Or will English Heritage, which does not have Lechlade in its 1986-1987 list of grants but does have a contingency fund? Or can the two bodies combine? I hope that by the summer, when some of the Lechlade graves will be on public show at the British Museum, it will be decided how this major rescue dig is to be rescued.

Gerald Cadogan

Anne Morrow

Reconstruction showing 6th century grave goods buried with a girl aged about 18: gilded shoulder brooches, amber and tubular glass beads, and a massive bronze cloak brooch.

Saleroom

Hungry for armour

WHEN the Victorian plutocracy had made their millions and chosen their country estates, they needed to crown their arrival as the new rulers of the land by filling their manorial halls with armour. It went well with the buildings and suggested historical roots.

Unfortunately, there was very little original armour available for purchase, and most of the suits (a word of which experts disapprove greatly) that could be bought were composed of elements from numerous armours, plus the odd contemporary filler. As a result, a thriving industry developed creating excellent copies of medieval armour.

Today, the collector of armour faces the same supply problem, but even more so. This is one of the few saleroom markets in which most of the best pieces are safely in the care of the Royal Armouries, other museums, or inviolable private collections. If good armour appears on the market, the sky is the limit.

So it proved at the Hever Castle sale at Sotheby's in 1983 when American collector B. H. Trupin, best known as a buyer of Tiffany lamps, amazed everyone by paying £1.925m for an armour made for King Henri II of France. He had never bought armour before but, taking advantage of the exceptional pieces on offer from Hever, invested heavily. (He is now believed to be open to offers on his acquisitions.)

Before that, Christie's held the record — £400,000 in 1981 for a suit made for Henry, Prince of Wales, at Greenwich in 1613. And before that we are back in the 1920s and a price of £26,000. Unless a quite unknown and unexpected armour surfaces, Mr Trupin will hold the record for many years.

So now, to meet the demand, 19th century armours are appearing in the saleroom—Sotheby's has a suit, in the style of the 16th century, on offer on May 16 at around £2,500: 10 years ago it would have sold for nearer £250, if the auction house had accepted it at all.

The hunger for good armour was revealed at Christie's last November when a scrap of horse armour 6¾ inches high sold for £7,000, mainly because it was once owned by the Emperor Charles V. Christie's, which tends to dominate this market, is holding an arms and armour auction on Wednesday, and once again an item of horse armour, the upper part of a *chanfron*, carries the top estimate. It could fetch £5,000 mainly because it is by a famed Augsburg maker of the mid-16th century, Anton Peffenhauser.

It will be run close by the most distinguished item of armour on offer—a rare Brunswick painted comb morion (helmet) carrying, uniquely, the monogram of Duke Julius of Brunswick. Once again, a price approaching £5,000 is expected.

But if good genuine armour is very scarce, and very expensive, the other partner in these sales, the arms, seem remarkably cheap. Attractive items, like 18th century gentlemen's swords or 19th century pairs of English pistols, have risen only slowly in price in the past decade. For example, an early 19th century pair of duelling pistols, in excellent condition and nicely boxed, carry an estimate at Christie's of £3,000-£3,500. The last time the saleroom sold them, in 1972, they made 1,300 guineas—a miserly gain if viewed as an investment.

One reason why English swords and pistols have been ostracised is their simple stylishness—the market has moved towards ornate and highly decorated Islamic arms. There are also problems with the authenticity of arms; the proliferation of modern additions; and the difficulty of display. It is, however, quite extraordinary that a mid-18th century small sword, decorated with scenes of the chase and with its original scabbard, a most handsome piece, should be estimated at £300-£400 on Wednesday.

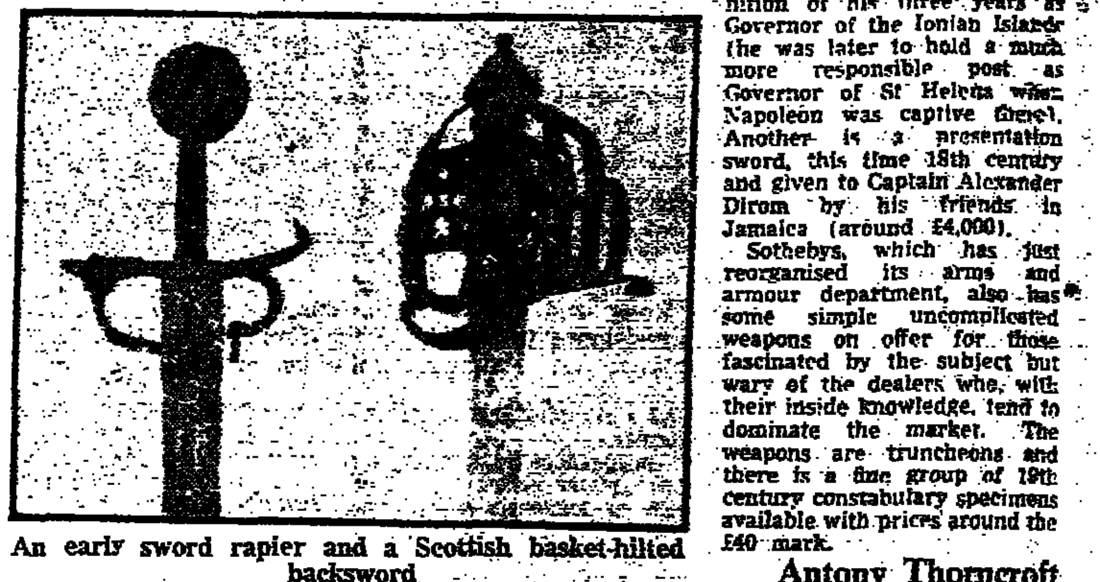
However, Christie's does have some showy swords for sale next week which will go for much more. A silver gilt mounted sword in the Indian taste, presented to Lt Gen Robert Burne in recognition of his bravery in the attack on Buenos Aires in 1807 (not one of the nation's greatest victories) should make £10,000 (as against its original price of 12 guineas).

Another ornate sword of much greater antiquity, a silver mounted German sword of 1540—a princely weapon of the kind now found only in ancient collections — could realise £15,000. It would have made double that without its slight restorations and reconstructions.

The chief attractions at Sotheby's May sale also are swords with a good provenance. One (estimate £8,000) is a gold mounted Greek sword awarded to Sir Hudson Lowe in recognition of his three years as Governor of the Ionian Islands (he was later to hold a much more responsible post as Governor of St Helena when Napoleon was captive there). Another is a presentation sword, this time 18th century and given to Captain Alexander Dirom by his friends in Jamaica (around £4,000).

Sothebys, which has just reorganised its arms and armour department, also has some simple uncomplicated weapons on offer for those fascinated by the subject but wary of the dealers who, with their inside knowledge, tend to dominate the market. The weapons are truncheons and there is a fine group of 19th century constabulary specimens available with prices around the £40 mark.

Antony Thorncroft



An early sword rapier and a Scottish basket-hilted backsword

Wine

A very good year to buy

THROUGHOUT Western Europe 1985 was an excellent vintage and a year to buy with confidence. In terms of quantity there were some areas, such as Bordeaux and Burgundy, where more wine than usual was made. In others, such as Alsace, Chablis, Champagne, Germany, Italy and Spain, frost or drought led to small crops.

The German vintage was the smallest for many years. This was particularly noticeable because in the past 10 years or so an increased vineyard area and much larger crops had led to an average harvest of 8-9m hl. Last year, it was not much over 5m hl.

The quality, however, is said to be excellent, with no less than 40 per cent of Kabinett quality and 25 per cent Spatlese and higher. But prices for so small a harvest are certain to be higher — particularly at lower levels such as Liebfraumilch.

In Spain, drought caused a substantial drop in the overall quantity, but this was about average in Rioja; quality, too.

It is hard on the reputable Italian growers that a generally very successful vintage from north to south, especially in Tuscany, should have been followed by the methanol (wood) alcohol scandal. As with last year's problems in Austria, it has been blown out of proportion.

Yes, large amounts of toxic wine have been reported—but then, Italy is normally the world's largest producer. Only very poor *vini da tavola* were "treated" to raise the strength. In any case, reputable British merchants buy only from established Italian growers or merchants whose wines should not be subject to the slightest suspicion. I know that some UK firms have had all their Italian wines analysed and there has been no evidence of excessive methanol (in tiny quantities, it is a natural constituent).

In France, Alsace made a very good product indeed, as a tasting of some fairly basic Hugel wines showed in London not long ago. There are some suggestions that 1985's may rival the outstanding 1983's.

The alarms about the size of the Champagne crop were modified by a better result than expected and the existence of a reserve stock held over from 1983; but, after a period of stability, prices have risen. The quality is excellent and is likely to be a vintage year.

In the Rhône, the Grenache (which, like the Merlot in Bordeaux, flopped in 1984) recovered last year; and in the southern Rhône an above-average crop of more than 2m hl was made, with particularly successful Châteauneuf-du-Pape. Fine wines also were produced in the northern Rhône.

The problem in the Loire was the very hot weather at the vintage. This led in some cases to flabby, acid-deficient, wines so careful selection by buyers was necessary. Yet, Muscadet was plentiful and good, as I know from a tasting I had recently on the way to Bordeaux. World demand for white wines has put up the prices of Sancerre and Pouilly-Fumé. And throughout the Loire valley, it was a particularly good year for the sweet whites Vouvray and Coteaux du Layon.

As I covered Bordeaux two weeks ago, that leaves Burgundy. This region consists of four very distinct parts, starting with Chablis in the north, descending to its heart in the Côte d'Or, continuing south with the Chalonnais and Mâconnais, and ending up almost in the suburbs of Lyons in the Beaujolais.

The Chablis crop was not as small as forecast at one stage—70 rather than 50 per cent—but output was severaly curtailed in the *Premier* and *Grand Cru* appellations, and prices have risen very sharply throughout. The price of Petit Chablis is not much short of leading *crus* two or three years ago.

The problem of Burgundy—Beaujolais and generic Mâcon apart — is that there is not enough of it. So, basic Bourgogne Rouge is twice the price of Bordeaux Rouge; and although after a good summer a large quantity was made in the Côte d'Or, it was below average for the greatly sought-after whites. These were less alcoholic than the 1983s and, although seductive, may lack some acidity.

At a London tasting of Joseph Drouhin burgundies in March, the Beaune Clos des Mouches was full of flavour, while the Puligny Folatières had a very fine, elegant bouquet and a full, oaky flavour. The estimated retail prices were in the region of £25 and £22.50 respectively.

This is likely to be about the level for the white *Grands Crus* until you reach the level of Bâtard-Montrachet and Corton-Charlemagne, which are well into the £30-a-bottle range; while Montrachet is double this figure. (The Burgundians point out that these prices may well be compared with those of the far-more-plentiful leading clarets.)

The red burgundies, although not exactly given away, are less expensive and there is no doubt of their excellent quality. In addition to the Drouhin tasting, a small one of Moillard's wines was held in London — all, of course, from cask samples.

The colour was generally deep, and the flavour very fruity, although closed at this period. Some of the Moillard wines were still undergoing their malolactic fermentation. It is, of course, impossible to indicate where either of these shippers' wines will be listed, and only Drouhin attempted to give possible retail prices per bottle.

Those that appealed particularly to me out of the dozen shown were the Volnay (£13.50), full of colour and flavour; Morey-St Denis (£13.50), a big strong wine with a full, fruity aroma; and Chambolle-Musigny 1er Cru (£19), with very good colour and the lovely nose that Chambolle wines often have, and an elegant, well-balanced flavour. Prices for the more backward Grands-Echézeaux and Musigny were about £35 and £40 a bottle. Whatever the source of such burgundies, the prices above are likely to be in these areas.

Moillard also showed a very attractive Hautes Côtes de Nuits, probably in the £5-£7 range. Wines at this level, and like Côtes de Beaune Villages, are most likely to appeal to our pockets for the 1985 red burgundies.

Among the whites, better value for money is likely among the Chaloinnais—Montagny and Rully. Moillard showed a fruity Montagny Ch de Davenay. Very good value, as it costs about the are the red Givry, Rully and Mercurey.

Further south, Pouilly Fuissé has again taken off in price, largely as the result of intense American demand. It is hardly good value, as it costs about the same as a good, middle-rank, classed-growth claret by the time it reaches the retail lists. Pouilly-Vinzelles and St Véran may be a better bet. As in the Côte d'Or, carefully chosen 1984 white burgundies are not to be despised, although in nearly all cases the reds are unripe and green.

Finally, 1985 was an excellent year for Beaujolais, both in quality and quantity. The wines to buy are the *crus*: Moulin-à-Vent, Fleurie, etc. Their prices will be higher than last year, partly because an increasing amount of Beaujolais is sold as *primeur (nouveau)*—57 per cent of a 1.2m hl crop. In 1982, the figure was only 42 per cent. Also, the *cru* production last year was lower than in 1984.

To summarise: while prices seem almost consistently higher than previously, at least the wines are likely to be good to very good; and future vintages are unlikely to be any less expensive.

Edmund Penning-Rowsell

Country Notes

Silent cuckoos

AN ELDERLY relative who reached her nineties used to claim that she always heard the cuckoo on her birthday, April 19. It seems that the cuckoo gets later every year, and I doubt very much if I will hear one in Hampshire until May. Maybe the climate has changed. There was a cold spring last year but this is the coldest for a long time.

Mind, I wonder how the cuckoo knows the temperature here while lounging in the tropics. Does it have an intuition that the birds he cuckolds are not in the mood for nesting let alone laying eggs? Common sense would tell me that the sexual urge would propel him northwards whatever the temperature thousands of miles away. Perhaps he lurks just across the channel and sends out reconnaisance patrols. But I was in France last week and there was no word of the cuckoo there either.

Although air temperatures have risen a little I think the soil has still to get over the freezing temperatures which went down the best part of a foot in February. There has been some sun but it has been much diluted by a cold wind and any land still in the shade has hardly had a chance to thaw. In my garden there are no daffodils in bloom although they have been in bud for a month now.

In fact the only plant which is thriving is the celandine which started greening up through the February frost. I would usually expect to see a few hawthorn leaves before the end of March. There are several hedges I know where they are very early but the only green I saw on a drive to Plymouth was a few yards on the side of the motorway.

In South Devon and Cornwall there was a bit of colour. Daffodils were almost over in some gardens and on the banks of the Tamar where I had a day's fishing there was quite a show of wild daffodils and primroses.

There are no primoses in my hedges yet, not even in the hedges where the primrose dealers have not yet been. At one time there were lots but now everyone with a garden or a window box wants to take a plant home, where I am told they seldom survive. So there are few around here.

There is just a sign that the chestnut buds are swelling, as are the beech buds on the southern side of the trees, but there are no elder leaves. The hazel catkins have had a hard time. They loosened up quite well in January only to get properly shrammed in February when they seemed to close right up again.

The pasture fields, even where unstocked, have only just begun to turn green and the ewes and lambs are having to work hard for a living. There is practically no grass at all for cattle. Except at lower altitudes, autumn sown wheat and barley has had a rough time. Quite large acreages have had to be resown and most fields show some nasty blank spaces.

The partridges are already well paired up and the Frenchmen which have been nesting around the garden for many years have returned, or perhaps they are descendants of the original pair. But they will not nest for a while. Some solitary cock pheasants have been moodily awaiting a hen or desultorily defending their chosen territory.

However, there must be hope somewhere; a hen joined the cock pheasant in the farm yard this week. Against all the evidence spring must be just around the corner.

John Cherrington

Company Notices

SYLVAN OFFICE SUPPLIES LIMITED

By Special Resolution dated 24th April 1986 the company Sylvan Office Supplies Ltd approved a payment out of capital for the purpose of purchasing its own shares. The amount of the permissible capital payment is £13,695.

The statutory declaration and auditors report are available for inspection at the company's registered office.

Any creditor of the company may at any time within five weeks of the date of the resolution apply to the Court for an order that prohibits the payment.

By Order of the Board
P. B. BROWN, Director.

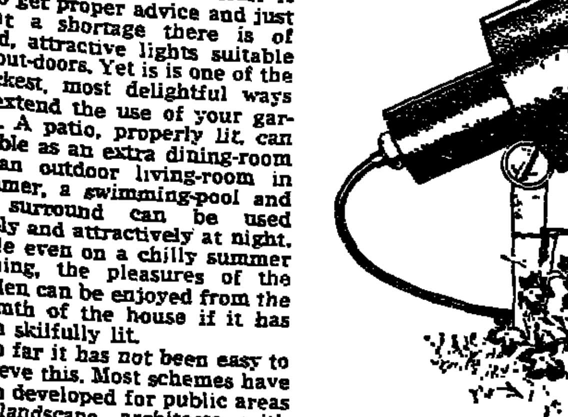
11/12 Redkin Close, West Sussex RH13 SQL.

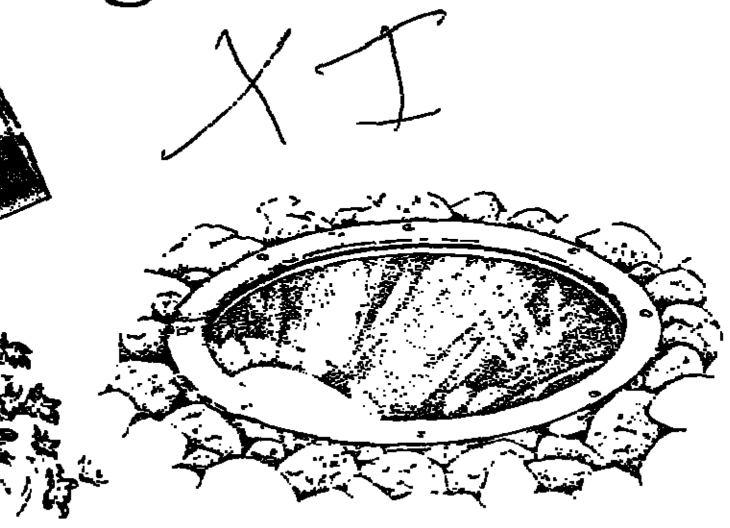
Ways to make light of outdoor living

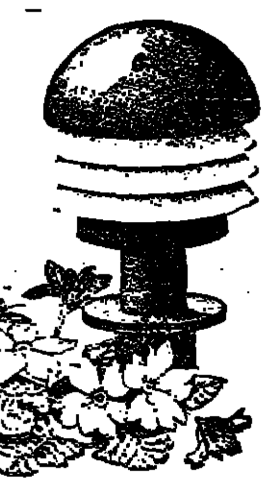
XI

Lucia van der Post

HOW TO SPEND IT







IF YOU have ever thought about lighting your garden, you will know just how difficult it is to get proper advice and just what a shortage there is of good, attractive lights suitable for out-doors. Yet is is one of the quickest, most delightful ways to extend the use of your garden. A patio, properly lit, can double as an extra dining-room or an outdoor living-room in summer, a swimming-pool and its surround can be used safely and attractively at night, while even on a chilly summer evening, the pleasures of the garden can be enjoyed from the warmth of the house if it has been skilfully lit.

So far it has not been easy to achieve this. Most schemes have been developed for public areas by landscape architects with acres to play with, rather than for more modestly proportioned gardens. For amateurs, it is neither easy nor wise to dally in this field. Better to call in the services of one of the few specialist companies that offers full professional services, tackling everything from design (which aspects of the garden to concentrate on requires just as much judgment as how to do it), to technical specifications and actual installation.

Christopher Thornton has recently started The Garden Lighting Company which offers to do everything from initial scheme on paper to installation of the last bulb. Other companies may offer design proposals, yet others to do the installation—few will do everything from start to finish. Christopher Thornton believes in looking at the problem in three different ways—from the straight-forward functional aspect, to the aesthetics of making the most of the garden and, possibly most important of all, security lighting.

Functional lighting will usually include providing lighting on steps or path, on patios, round swimming pools, besides drives, front and back doors, garages and any other area where the owner and his family simply need to see their way.

The aesthetic side will include putting lights in flower beds, rockeries, under trees or shrubs to bring the garden to life at night—here the light-source is usually concealed so that the light seems to emerge magically from some unknown source.

When is comes to security more can be done with skilful lighting than most people have probably ever thought of. For instance you could have powerful halogen floodlights round the house which can be connected to an infra-red device which triggers the lights if an "intruder" is detected. It can be connected to a siren which goes off at the same time. If you are worried about lights and sirens going off every time anybody approaches the house, a daylight sensor is usually installed which prevents the system operating until dark. The scheme would obviously be particularly useful for isolated houses, and for homes with protected side entrances or back-doors.

There is such a need for lighting that The Garden Lighting Company has put together a complete basic package which includes a flood-light and detectors as well as installation costs for about £200.

Safety is obviously an important consideration since the combination of lighting and water (which is indivisible from the successful garden) is potentially lethal. Clearly the installation has to be done properly and professionally with strong weatherproof materials. Normal indoor electrical cable, *for instance, is totally unsuited to the great outdoors.*

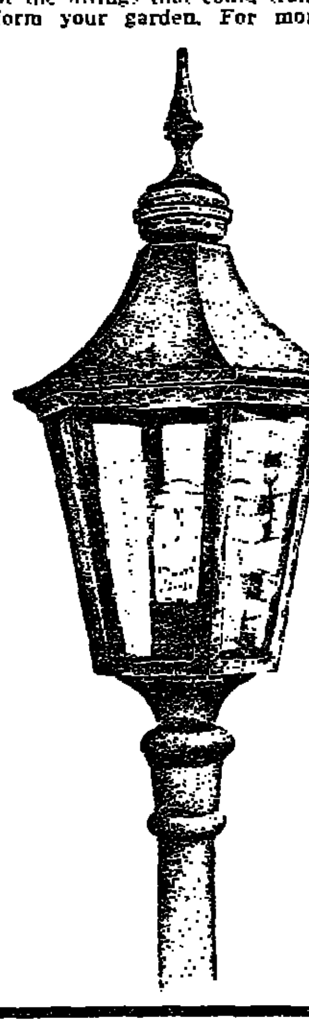
Specially protected wiring and fittings need to be used and Christopher Thornton *always insists on putting in a safety device colloquially known as a RCD (residual current device) which is designed to cut the mains supply if a fault develops or if, for instance,* somebody cuts through the main cable with a spade by mistake.

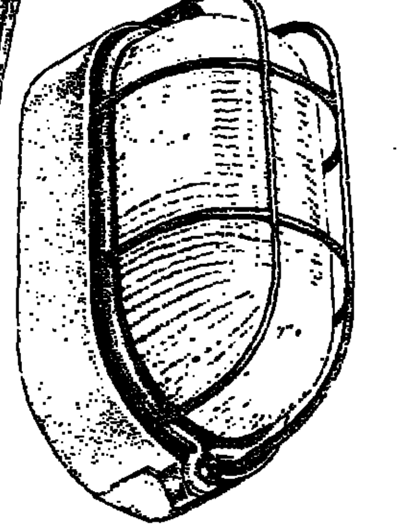
When it comes to the lights themselves it goes almost without saying that they need to be extremely robust—they will have to withstand wind and rain, frost and sunshine, and if they are to survive more than a few years or so they should be made of the very best and strongest materials. Chrisopher Thornton finds that much of the work he is asked to do is to replan and redo inadequate schemes that people have attempted to do themselves, replacing cheap lighting that has hardly survived a year.

As to cost, it is hard to be precise, since the service offered is an individual one and every garden poses a different problem. However, a London patio, measuring roughly 30 ft by 15 ft could be properly lit for about £300 to £400. This could include a spot-light on the back of the house highlighting a dining area, switched separately from some additional decorative lighting around the perimeter and some highlighting of special features.

He thinks the average householder should think in terms of spending about £100 a light and finds that there is very little on the ordinary retail market that comes up to his specifications. He usually specifies lights from a company called Bega (marketed by Concorde, he calls them the Rolls-Royce of the garden lighting field). Noral for those who like a more "traditional" look and the Spectrum range as the best of the less expensive end of the market.

Sketched here are just a few of the fittings that could transform your garden. For more help and specific advice contact Christopher Thornton at The Garden Lighting Company, 80 Balcombe Street, London NW1 6NE.





FAR left: A spotlight ideal for training on a special tree or shrub: £115.68. Centre: One that's ideal for providing uplighting beneath, for instance, trees: from £117 to £377, depending on the fitting and bulb. Right: A ground light which provides low level lighting in beds and paths and is fitted to an earth spike: from £81. All are by the German firm of Bega.

BELOW: Far left—The Noral range is a good name for those who prefer a "traditional" approach to the matter—this spike fitting for flowerbeds provides good low level lighting: £121.50. Near left: An inexpensive wall-mounted bulkhead fitting, suitable for lighting a patio or the side of a house. Directs light downwards. By Spectrum: £20.

●

West Londoners might like to know about the Fulham Palace Garden centre, just behind Bishop's Park, London SW6. It is now just over a year old and beginning to offer an increasing range of services to local gardeners.

Those without green fingers might like to use the drive-in window box service — you bring in your own window box (or if you do not already have one you can, of course, buy one from them) and they will either plant it up for you on the spot if you come in on a weekday round, or, if you can only turn up at weekends, they will plant it up and deliver it to your house later (in the London area only). They will do the same for hanging baskets or any other garden tub.

A ready-planted pot or trough makes a good present, and they have on sale a terra-cotta trough filled with a selection of aromatic plants, as well as ones filled with herbs. Prices from £25 to £60.

They also offer a design service and the consultation fee is refundable if you go ahead with the scheme.

Drawings by James Ferguson and Anne Morrow

ALMOST everybody with a garden, no matter how small, could do with some trellis somewhere. For Londoners, who often have to use every inch of a rather crumbling wall to make most impact, trellis can give vital added growing areas (no wonder one of the latest urban garden centres has decided to specialise in almost a 100 varieties of climbing plants). Some of the best trellis that I've come across comes from Trellisworks of West Mead Nursery, Clay Lane, Fishbourne, Chichester, West Sussex. Readers can telephone (0243) 774238 or 01-584 1604 for advice and a leaflet illustrating styles available. Trellis can be delivered anywhere in the Home Counties at a very reasonable charge.

The trellis itself is what Trellisworks describes as "Architectural Trellis" — in other words, it is sturdier, better finished and will last longer than the cheaper varieties found in garden centres. It also comes in four different styles—Venetian (which has arches and curved tops), Queen Anne (which to me seems the simplest and nicest and is illustrated here), Classical (with triangular decorative tops) and Edwardian.

All the timber is very sturdy —33m by 22m — and whereas cheaper trellis is just criss-crossed and nailed together, this is properly half-notched. The timber has been carefully treated in exceedingly advanced ways to protect it *(including a complicated vacuum-treatment with Cuprinol) and it can be* ordered either in plain wood or painted or stained in almost any colour. It is sold in modular sizes so that it is easy to assemble but those who find such tasks beyond them can ask Trelliswroks to quote for putting it up for you.

I AM of the gardening school that prefers things to look old, well-worn and traditional. However, stone urns, classical terracotta pots and wooden tubs are not always the most practical of containers. Usually they are heavy, difficult to move once in situ and look best where there is some space *to show them off. In a small* area there is a case to be made for something neat and practical like the Portable Garden, sketched here.

Made from sturdy polypropylene the basic unit is a slim *tower which can take up to* ten plants. There is also a hanging version which takes up to five similar-sized plants. Though the units themselves are not *particularly attractive* to look at the idea is that when properly planted foliage grows fast and furious and soon nothing is seen but a mass of *Busy Lizzies, fresh herbs,* fuchsias or whatever.

It certainly is a good way for a Londoner with limited space to cultivate a fine crop of herbs. *(I've never had much* luck with window-sills, in spite of those jolly magazine articles telling me how easy it is) or a summer-long supply of basil

Besides being economical in terms of space, the portable gardens are exceedingly economical to buy. Sold in pairs the standing garden (each of *which holds up to 10 good-sized* plants) sells for £7.30, the hanging garden (which, you will remember, holds five) for £6.80 the pair. Postage and packing is £1.95 per one or two pairs, three or more pairs and postage and packing is free. Write for a full colour leaflet, or for the portable gardens themselves, to Garden Haven Limited, Bridge House, 3 Hythe Quay, Colchester, Essex CO2 8JB.

SOUTH Londoners might like to know about Patio — a garden shop at 155 Battersea Park Road, London SW11 which *specialises in carrying* a vast range of terracotta jars and pots. Most come from Italy and Spain, traditionally two countries that produce some of the most pleasing and classic of designs. You can choose something as small as a wall-hanging pot, designed to hold just a few geraniums, or as large as a giant urn. There is also a selection of terracotta specially made for Patio here in Britain and some *glazed earthenware* from China.

None of that may sound too new but customers report that Patio is exceptionally helpful and that almost nothing is too much trouble. The lazy, busy or plain unskilled can ask Patio to plant up their jars or pots, their hanging baskets or window boxes. If you have a *small London patio that needs* transforming one of their team will come round and advise and if you like, plant it up as well, so that you can enjoy an almost instant garden.

Besides the containers there is a good range of nursery plants and for those who have no garden at all Patio has a stunning collection of dried flowers — some 135 varieties.

Baskets or containers can be filled with arrangements to suit a particular room or colour scheme. Patio is open seven days a week from 9.30 am to 6.30 pm so the office-bound can visit over the weekend.

So much to choose for planting

Gardening

I WAS pleasantly surprised by the variety of bulbs, corms and tubers for spring planting in my local garden centre. In addition to the usual anemones, dahlias and gladioli, there was a good selection of lilies, a mixture of sparaxis so temptingly illustrated that I bought a bag to strengthen my present collection which is drifting increasingly to yellow, arum lilies, gloriosa, strelitzia, the hardy Amaryllis bellodonna, crinums, a nerine labelled crispa, a crispa, a synonym for undulata, a pretty species with crimped pink petals, Ornithogalum thysoides, the chincherinchee with white everlasting flowers, and even Childanthus fragrans, a scarce Andean plant with scented yellow flowers.

There were also tubers of the new non-stop begonias, which have double flowers of medium size and are ideal for bedding out, and both gloxinias and achimines for the greenhouse.

The only thing that worried me a little was the sketchy information about cultivation. Few people would have ever seen chlidanthus and *if some had* seen the chincherinchee it would more likely *to have been* as cut flowers sent from South Africa *than* as growing plants in a garden or greenhouse.

In fact I have grown both outdoors in warm, sunny places, but they should really be regarded as conservatory plants needing no aritificial heat if potted *now, but to be stored* dry in a frost proof place throughout the winter.

Nerine undulata is not as hardy as N. bowdenii, the most familiar kind with much larger deep rose flowers, but it can be grown outdoors in the south and west if planted at the foot of a south facing wall. Like N. *bowdenii* it flowers regularly with none of the unreliability of N. sarniensis and its varieties unless grown with great understanding. It is nothing like as spectacular as bowdenii but an attractive and much more uncommon plant.

But, good *though it is to see* unfamiliar plants on general offer, the well tried plants continue to dominate spring sales. Gladioli are a little difficult to fit into *decorative* schemes in the garden since they so quickly begin to look shabby as their lower flowers fade. Dead heading is of little use since the removal of the flowers unbal*ances the spike making it seem* both skinny and topheavy.

Yet for cutting in August and September gladioli are unrivalled, they have a splendidly varied colour range and are virtually impossible to fail with the first year. What happens *after that depends a good deal* on where they are grown and how they are treated.

Conventional wisdom decrees that they should be lifted six weeks after flowering, carefully dried off in a sheltered place and then, after the tops have been *cut off* and the old withered corms removed from the base of the plump new ones. The *latter should be stored in* a dry, frostproof place until replanting time returns in April and May.

This is the only completely safe way to grow gladiolis but so many people just cannot be bothered or forget to do it at the right *time. In practice* I find that most corms survive if planted 2 or 3 in. deep in well drained soil. But risk is involved and I await with interest to see *how many of my own* neglected corms, which have survived several years without *being lifted, come out of this* testing winter and spring. It will not surprise me if none of them reappears.

There is a similar problem with dahlias since the tubers will not survive freezing weather any better than gladi*olus corms. The fat ones have* the best chance of survival. I have one fine pink flowered dahlia that has grown untended in my garden for 20 years and that I have completely forgotten its name. Its tubers are like good size potatoes clumped together in such a tight ball that it is difficult to separate them when I do finally decide that *enough is enough and dig them* up for division and replanting.

One that I accidentally disturbed a fortnight ago was undamaged by frost, but a few of the tender young shoots had been eaten by famished slugs. That is always a danger with dahlias but *one fairly readily* dealt with these day thanks to excellent slug killers such as methiocarb and methaldehyde.

The image of dahlias as garden plants *has been some*what dented by the monstrous blooms of varieties bred *specially for exhibitors. There* is no need to have anything to do with these since there are hundreds of small- to medium-size varieties in a wonderful range of *forms and colours and* all will continue to bloom non-stop from early August until *frost finally blackens them in* October or November.

It is much the same with tuberous rooted begonias but one must make a clear distinc*tion between three types;* those with medium-size flowers which are primarily for use as garden plants, those with much larger flowers which are for the conservatory and those with pendulous stems to be planted in hanging baskets which can *be suspended under glass* or in sheltered places outdoors from early June.

Not even the first group will survive a winter outdoors. The bun-shaped tubers *do not like* to be buried several inches deep, like dahlias, so they get little protection from soil and must either be renewed *annually or be lifted when the* weather begins to get cold and be stored in a frostproof but not too hot and drying place during the winter.

They also need to be restarted in a temperature of around 13-15 degs C, the simplest way being to bed them shoulder to shoulder in seed trays filled with moist peat.

The little dahlia tubers on sale now can be planted outdoors with an inch of soil over them, where they are to grow but it is safer to start them *in a greenhouse or sunny room,* potting them singly in small pots in peat potting compost.

Arthur Hellyer

Country Property

JOHN BRENNAN this week takes over from June Field as Weekend FT property correspondent

The seller's market in Central London

Time to think high and borrow big

ISAAC NEWTON probably rented his home. It is his only reasonable excuse for not noting a semi-detached sized gap in his summary of physical laws.

What goes up, in house price terms, continues to go up.

That is the missing link in Sir Isaac's theory, and it is one that is comfortably supported by the evidence of the market. Yet, in spite of the estate agents' enthusiasm, the house price chartists' upward curves, and the even more convincing proof of seeing prices move in our own neighbourhoods, the "upwards only" thesis leaves an uncomfortably nagging doubt in the back of the mind.

It can't last. Or can it?

For a shade over 63 per cent of the country's 21m households that is a question that touches the wallet. In the first skirmishes of what is squaring up to be a bitterly fought mortgage war every advertising and promotional trick in the book is being used to persuade existing homeowners to switch their home loans and, with luck, to borrow more. Much of that campaign to win a slice of the extra £20bn now being borrowed by home buyers each year depends upon rising prices.

If house and flat prices nationally continue to rise at 5 to 8 per cent above the general rate of inflation, it makes sense to borrow more, even if that takes a mortgage above the tax shelter of the £30,000 limit of Mortgage Interest Relief, and even at today's fully commercial rates of interest. Rising capital values will, on that basis, comfortably cover the extra costs of trading up and, you have the pleasure of a better house in the process.

What works for the average works with a vengeance in the really fast moving sectors of the market. Inside the "Harrods belt" of Knightsbridge, Mayfair, and Belgravia, up to 50 per cent increases in value in the past year alone help explain why there are still a fair number of Britons trading up, and competing with overseas buyers. Borrowing big at 12 per cent is a positive bargain when it buys a tax free capital return of four times that.

Even outside London's core area of international interest, in the depths of Fulham, the distant reaches of Richmond, the bleak outlands of Hampstead, or in suburbs where Harrods vans have to ask the taxis to help them find the enclaves of gentrification, 20, 25 or higher percentage price increases in the past 12 months keep borrowers well ahead of the game.

Within the south east at least, the upward-only spiral has acquired an almost self-fulfilling momentum added to by those among the remaining 37 per cent of households who don't own a home and want to. While the price rises hit those would-be first time buyers hardest of all by pushing up the costs of entry into the game, they also raise the stakes, and the incentive to join in.

Those first timers are a prime target for the money salesmen. "Buy now while the first rung is still in sight. If saving takes too long, who needs a deposit in these days of competitive lending? A 100 per cent mortgage? No problem."

In the other nation—the world well above and beyond Watford Gap, up to the near static house prices of Yorkshire and Humberside and the house price declines in real terms in the north and in Northern Ireland, in Scotland and in Wales—you would have a hard job persuading an average homeowner to borrow beyond immediate needs. And it is there, in the areas without house price inflation, that the nagging doubts about an ever upward price pattern take on nightmare form.

Imagine the effects of no more price rises in Central London and the south east. Without a continually rising market to underpin resale values all those notional real capital returns on homes bought on large, commercially priced loans would evaporate overnight.

The friendly bank manager would become the most popular of people. He would be in demand as someone who could, perhaps, agree to roll up interest until selling conditions improved.

He would also be feted as one of the few potential buyers around with a subsidised mortgage to cushion the cost of an asking price left standing lamely above a dull market.

Estate agents tend to be poor prophets of doom. Few would openly agree with writer Paul Erdman's view that low inflation and fully commercial home loan rates inevitably mean that "you would be continuously paying more to carry the house you invest in than its market value would be appreciating by the pull of investment." What the author of "The Billion Dollar Killing" doesn't allow for is a market in which house price inflation has a will of its own that is way out of line with the general rate of inflation.

That misalignment makes the present house price surge radically different from those of the early and late 1970s. Then, the "inflation hedge" argument for bricks and mortar made sense. Even Mrs Thatcher turned to canned foods at a time when retail price inflation topped the returns available on every standard financial investment. Now, it is possible to find any number of investments showing a real return, and yet money is drawn from the stockmarket, from alternative savings, or borrowed at higher rates than the assets the loans are secured against, and poured into house purchase.

David Gilchrist, general manager of the Halifax Building Society, looks to the basics of supply and demand for the answer. If you set out to stabilise prices, "on the demand side all you could really do is to shift demand from the south east to other parts of the country." And a new regional policy in that form has no place on the Government's agenda.

On the supply side, he believes that even by making maximum use of available housing land, and with further inner city development, the building land famine that George Wimpey managing director Nelson Oliver regards

Continued on facing Page

IF HOUSE prices nationally look overheated, those in London's Docklands swept past boiling point some years ago.

As an early convert to a river view at Limehouse, Dr David Owen can take some comfort in knowing that at least his street has beaten Fulham for price rises. A house sold down the road at the Limehouse Pier Head for £27,000 in 1970 fetched £225,000 last year.

Clarke London's creation of 34 studio apartments and 27 large flats within the old John Courage Anchor Brewhouse beside Tower Bridge illustrates the continuing pressure of demand for Thameside living. Mr Martin Carleton Smith had over 700 inquiries for the first 11 single-bedroom studio flats ranging from £61,000 to £87,500 released last week. He expects prices for the two-bedroom flats to start well above £250,000 a time for 125-year leases, and to have to deal with a queue of competing buyers keen to become East Enders.

Are they pioneers, or lemmings, drawn in by the past spectacle of rises like those at Olivers Wharf—£16,000 in 1972, through the £100,000 barrier by 1974—or the old Port of London Custom Houses in Wapping bought in a 12 lot purchase for £135,000 in 1970 and worth upwards of £300,000 apiece now?

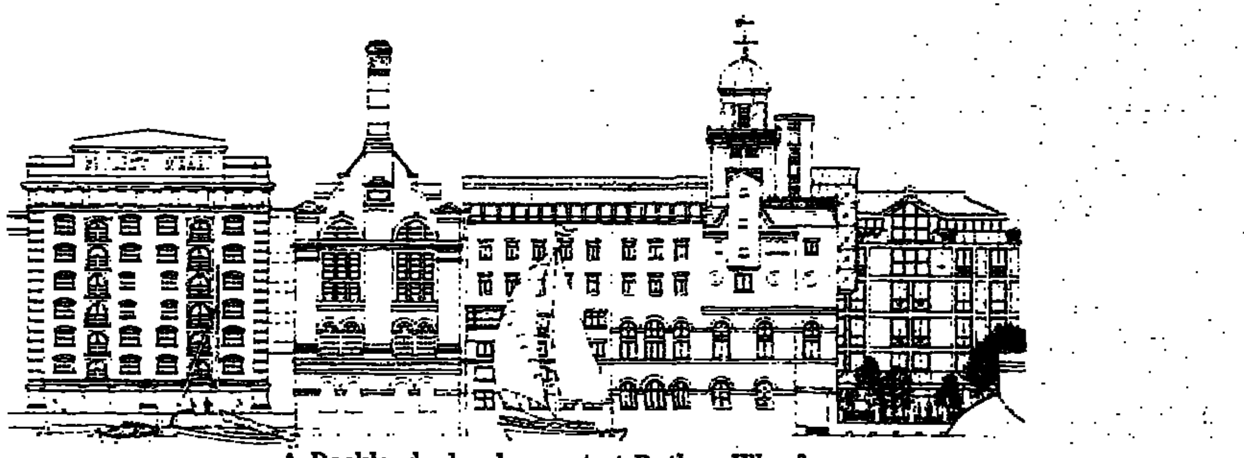
The probability is that they are still pioneers. Not for choosing Docklands as such, but in queuing for the riverside conversions that will remain a rarity however many homes the London Dockland Development Corporation adds to its 2,700 total so far.

That new building programme has turned the area from a 4 to 34 per cent homeowning district, since 40 per cent of the new properties have been sold at discounted prices to local tenants. What the LDDC doesn't track is how many of those freeholds handed over to locals have since been traded on to incomers at a profit. And the Corporation doesn't get involved in the debates about flat traders who have been buying apartments off the developers' drawings and selling them on when the queues form on completion.

Mr Carleton Smith reports that "some of those people are coming to us to unload now." But, as he says, developers don't tend to mind an element of speculative buying if it helps to get a scheme moving. And, outside the lower grade, new-built standard houses that have little to commend them apart from closeness to the City, the quality warehouse and new riverside blocks, are now being regarded as established Central London property.

They are priced alongside West End flats, although buyers hoping to rent will find that the Docks' appeal to Londoners working in the City doesn't carry foreign executives and their families, still shy of the area, preferring rentals in sight of quality shops or close to more salubrious schools.

J.B.



A Docklands development at Butlers Wharf

London Property

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as "the main problem facing the housing industry today," wouldn't be solved.

In a recent house price survey pointing out the widening gap in prices between the south east and the rest of Britain, the Halifax speculated that "the loss of some of the green belt around London is perhaps the only short term solution to the problem of first time buyer access to reasonable homes and to the reduction of the house price gap between the north and the south."

That comment provoked an outraged response from homeowners who already live in areas pleasantly surrounded by development-free land.

Unlike Wimpey's Mr Oliver—who cites with some exasperation the example of residential development land 30 miles from the centre of London in Chelmsford, Essex, costing just £30,000 an acre in 1976 and £350,000 an acre now—people who already live there have no desire to see housing supply resolved on their doorsteps.

So demand not just in terms of traditionally impecunious first timers but as a result of the broader demographic changes in household formation keeps up the pressure in the south east. Supply for its part runs into the cul de sac of available development sites. The houses can be built, but only at a price that is being forced up all the time by the costs of scarce sites.

Short of a sudden relaxation in planning controls, and a sharp fall in building land costs, the south east will remain short of the homes people want to buy. As long as buyers can afford to borrow the rising price of a home, that imbalance argues in favour of a continuing, upward only price spiral.

On that assumption, and allowing for the extra demand generated by competitive pressure on mortgage interest rates (Gilchrist cites a rough rule of thumb that a 1 per cent drop in home loan interest rates equates to a 10 per cent increase in demand for loans) both the Halifax and the Royal Institution of Chartered Surveyors are expecting an average national house price rise of around 10 per cent in 1986.

In Central London and in its immediate commuting satellite towns, you can double that forecast. No greenbelt decisions are going to affect supply there.

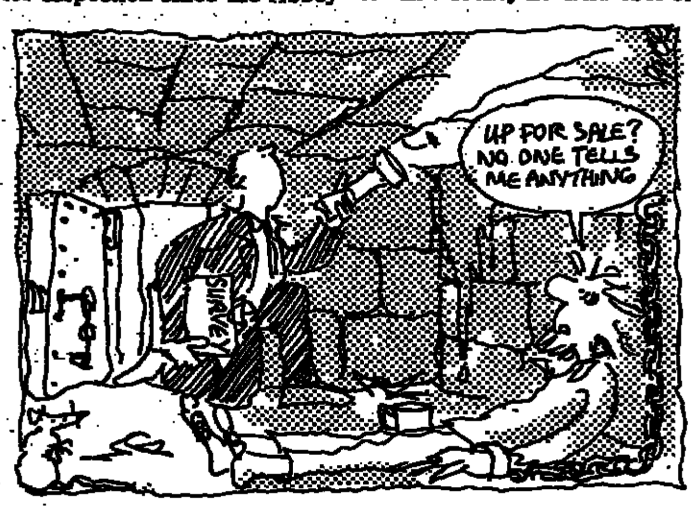
The only joker in the pack is incomes. Without a continuing rise in incomes at a rate sufficiently large to further irritate the Chancellor of the Exchequer, the demand side of the equation starts to falter, and then all those nagging doubts about inflation beating house price rises could start to take real form.

If the roof falls in

DAVID LAWSON on a nightmare that can face some house buyers

CONSIDERING THAT a house is the biggest investment by far that most people make, it is remarkable how few buyers spend enough time and money finding out what sort of product they are getting. Buying a car on sight is accepted as some form of lunacy, but at least there are legal come-backs. The house-buyer has no claim on the seller even if the roof falls in as he walks into his new front door, yet few are willing to pay out the equivalent of the price of a good living-room carpet for a full structural survey.

Most rely on the valuation report which has been available for inspection since the Abbey National broke a tradition of secrecy in 1981 and other building societies followed suit. It was greeted as a breakthrough but has turned into a nightmare for some buyers and valuers, and can produce disastrous consequences.



The report was never intended to show up major faults, only the basic details of the property and whether it was worth the money the society (or bank) was being asked to lend. But some buyers who later found faults in their new homes turned their wrath on the valuers, encouraged by a celebrated court case which decided that a north London couple called Yianni were entitled to compensation from a negligent valuer. A later court case dismissed a different negligence action, however, because of a disclaimer in the small print of the report.

The Royal Institution of Chartered Surveyors and the Incorporated Society of Valuers and Auctioneers have now published guidelines to buyers emphasising the importance of that small print. The valuation is not a survey and no legal responsibility will be accepted by a valuer even if he is at fault, they say.

Surveyors and valuers have been issued with their own guidelines—and many are none too happy about them. In the past they have followed their own rules about what to inspect, often spending no more than 45 minutes collecting basic details. With building societies paying around £50 for inspecting a £30,000 house and £90 for a £60,000 one, they felt it was not worth more of their time.

The new suggestions (they are not mandatory) are not contentious in so far as they cover the obvious such as age, state of repair, local amenities and so on. In fact they list a number of limitations which would surprise any buyer wrongly relying on such a report for fault-finding. The valuer does not have to move furniture and carpets, nor comment on sale incentives such as price-included furnishings and fittings, nor *leisure facilities like swimming* pools (although the value would be expected to reflect the fact that a house has a pool). He is advised to report suspected defects and to stick his head up into the roof space if accessible.

It is the last bit which sends shivers through many valuers. They know they cannot find serious faults this way and that they are protected by disclaimers from damages. But buyers do not know this, and anything like inspection of roofs which give the hint of a proper survey can lead to endless time-wasting handling later complaints—and disappointment and heartbreak for some buyers.

One couple for example found that their £42,000 cottage was worth only a quarter of this value after faults began to appear such as rot, subsidence and damp only a short time after they had moved in with a favourable valuation.

The RICS feels the solution to many of these problems is its House/Flat Buyers' Report and Valuation, a sort of cut-price survey which can cost about £150 to £200 on a £60,000 house. But the furore over the valuation guidelines has thrown up the fact that even this is being misused by some agents and building societies to the possible detriment of buyers.

Some surveyors point out that it is being widely used on older houses when it was designed for small, modern properties with less likelihood of having faults. It again only covers readily accessible areas, excluding covered floors and roofs more than 10 ft above the ground.

"The report is used extensively in old and dilapidated properties—particularly in rural areas and they are heavily marketed by estate agents and building societies, many of which refer to the high cost of a structural survey," said one Yorkshire surveyor in an indignant complaint to the RICS.

The safest way out seems to be a full survey costing several hundred pounds, yet even here there is disturbing evidence of risk. Chartered surveyors and valuers will normally recommend calling in specialists to identify problems like timber decay and damp (just as they will pass on responsibility for wiring and pipes to electricians and plumbers). Yet evidence of startling incompetence was thrown up in an investigation by remedial treatment company Rickards of Romford, published in Building Trades Journal, which was frightening enough for the valuers' society to reprint the articles for its members this month (April).

A dozen companies, all members of trade organisations, called to inspect a test house with easy access to the vital under-floor and roof spaces failed in many cases to detect obvious problems or recommend the right solutions. The survey warned that if accredited companies acted like this, what standard could be expected from the mass of franchises being spawned? Agents and surveyors seemed to be more interested in speed of inspection from these specialists than quality of service.

Perhaps buying a house should simply have a government health warning to balance against the promise of rising value: "Danger. This transaction could seriously damage your wealth."

Like father like son...

Keith Moon and Kit Lambert: the story behind The Who

THE LAMBERTS: GEORGE, CONSTANT AND KIT
by Andrew Motion. Chatto & Windus £13.95. 358 pages

WE HAVE all heard of Constant Lambert, the composer, and people into the pop scene in the 1960s will recollect Kit Lambert, the manager of The Who, but who was George Lambert? He was Australia's leading painter in pre-Nolan days. George was also the father of Constant and the grandfather of Kit. Andrew Motion has had the original idea — actually it appears to have been his publisher, Carmen Callil's idea — of writing a triptych biography of all three of them, devoting a third of the book to each man's life, in chronological sequence.

Oscar Wilde said somewhere: "All women become like their mothers. That is their tragedy. No man does. That's his." The moral to be drawn from Mr Motion's labours is that all men become like their fathers. And that is their tragedy. At least they do if their name is Lambert in this particular family group. In one respect, the book is a deeply depressing experience reading of the same pattern of broken career and eventual collapse being repeated, handed down, you might say, from one generation to the next, as if there were one basic tragic script, shot through with moments of sheer farce, which each of the three in turn was required to enact.

However, in spite of early deaths and battered lives, they were all three remarkable men who made an important contribution to the artistic life of their periods. If the reader sups full on their failures, he also savours their triumphs which have endured. It was George who first steered the family towards the treacherous waters of the arts. He was born in St Petersburg, educated in England, and taken to Australia with his grandfather at the age of 11 where he tasted life on a sheep-station before studying drawing in Sydney and finding work as an illustrator.

A pity the budget did not stretch to letting us see a few full-length colour reproductions of his work which will surely be unfamiliar to most readers. However, Mr Motion does his descriptive best to recreate the mood of paintings like "Weighing the Fleece" and his memorial to "The Unknown Soldier" while on the back of the jacket there is a work that now hangs in the Queensland Art Gallery, "The Mother 1907," which shows him to have been, as Mr Motion says, a revivalist, much influenced by Velasquez but with a lyrical spontaneity all his own.

George did not devote all his career to Australia by any means. He worked in London for 20 years and only went back towards the end because he felt unappreciated here: whereas back home he became at once a figure of great eminence. We are given a fascinating portrait of an artist thoroughly bohemian but who eschewed modernism and post-Impressionism.

George had two sons by his wife Amy—Maurice and Constant. The elder much against his father's will became a sculptor and the younger born in 1905 also went hurtling into the arts via Christ's Hospital and the Royal College of Music. Constant's formative years coincided with the last great period of the Ballets Russes under Diaghilev and one of the young composers earliest assignments was a commission to write a ballet score on the theme of Romeo and Juliet for him, with the painter Christopher Wood as the designer, to be performed at Monte Carlo. Constant soon had a blazing row with the impresario; he discovered that the decor by Wood (who had become a close friend) had been shelved and replaced by scenery designed by "10th rate charlatans like Ernst and Miro" (father's voice speaking there). In spite of this the work when performed added considerably to his reputation.

Although a traditionalist as his father had been in painting, he was enchanted by the new jazz rhythms then in the air and he exploited them with advantage when he composed The Rio Grande, first performed in 1929, inspired by a poem of Sacheverell Sitwell's. This work really put him on the map and his name was uttered in the same breath as that of his new friend and rival William Walton. He had a fine speaking voice and was with Edith Sitwell, one of the reciters in early performances of *Facade*.

A detailed biography of Constant Lambert has already appeared and Mr Motion is treading here over some familiar ground but he has been able to make good use in his observations on artistic life in London between the wars of recent recollections by Anthony Powell (who used Lambert for the character of Hugh Moreland in The Music of Time).

As a musician Lambert was a mainstay of English ballet in its early period and he was a mainstay too of the pubs around Fitzroy Square and Charlotte Street where writers and artists congregated in those days. He emerges strongly in both roles, if the challenging brilliance of his inebriated discourse escapes Mr Motion's pen. It can be gleaned from Lambert's own book *Music Ho!* which has just been re-printed in paperback (The Hogarth Press, £4.94) with a preface by his friend, Angus Morrison.

Mr Motion also sheds some new light, murky light, alas, on Lambert's two unhappy marriages. His first in his twenties to Amy Chuter produced a son Kit, named after Christopher Wood, all too appropriately. It is the life of Kit Lambert as researched and reconstructed by Mr Motion that is the most fascinating part of this book. It reads like the plot of a new novel by Martin Amis told without the pyrotechnics in neutral, factual prose. As a guiding force throughout Kit's boyhood Constant was conspicuous by his absence.

The isolation of his childhood made him rebellious, outrageous and gay (in all senses of that over-used word). Talent will out, however, and while he was at Oxford he made a mark upon his contemporaries and formed several lasting friendships with both men and women. This initial mark became a sizeable dent when he came down and took up with The Who. Under his management the group attained fame and fortune culminating in the rock opera *Tommy*. The age of aggression, with the destruction of the instruments at the end of the performance, and a correspondingly violent wildly extravagant life-style, was upon us. It carried the seeds of its own destruction, needless to say and his end as a bankrupt and a burnt-out case in a condition of total mindless exhaustion was not a pretty one.

Anthony Curtis

From Russia with no love

Anatoly Shcharansky on his arrival in Israel

SHCHARANSKY: HERO OF OUR TIME
by Martin Gilbert. Macmillan £12.95 467 pages

WHEN TINY Anatoly Shcharansky walked jauntily across Berlin's Glienicke bridge to freedom on February 11 this year, having served eight-and-a-half years of his evidently trumped-up conviction and 13-year sentence for espionage and anti-Soviet agitation, we all had cause for deep relief, but not, unfortunately, for unqualified celebration.

For a start, Shcharansky's release came as part of an East-West "spy" swap. Though the US insisted successfully that Shcharansky cross the bridge first and alone, to distinguish him symbolically from the five Western and communist agents also being exchanged, there was never a breath of an admission from the Soviet authorities that Shcharansky had been done an injustice or that he was anything but a spy.

More important, Shcharansky's release seems to be simply a flash of light in an otherwise darkening prospect for Soviet Jewish emigration in particular and the Soviet penal system and conditions in general. From the highpoint of 50,000 exit visas in 1979, Soviet Jewish emigration totalled about 1,000 last year. And, as Shcharansky recently testified in writing from his new home in Israel to the current Helsinki Agreement review meeting in Berne of East-West "human contacts," conditions for all, not just Jewish, Soviet political prisoners have grown worse.

The authorities now "almost automatically" extend prison sentences of prisoners they fail to "re-educate;" in 1981 Shcharansky was himself transferred back from his labour camp at Perm to Chistopol prison for failing to confess to the "espionage" charge of which he was convicted four years earlier. Second, prisoners who go on hunger strike get put straight into solitary confinement. This was what happened to Shcharansky when he went on a 110-day fast in 1982-83 in protest at having his letters cut off.

But Martin Gilbert's book, essentially completed a month before Shcharansky's release (or any knowledge of it), is, for all its voluminous detail on Soviet refuseniks, basically a celebration of one man's indomitable spirit in the face of extraordinary odds and perversities. This included the authorities' spite in giving his girlfriend Natalia (now far better known under her Hebrew name of Avital) a visa to leave the country within 10 days, precisely when Shcharansky himself was doing a brief spell in jail. They had to get married on the day he came out, July 4 1974, with Avital having to leave for Israel on the morrow. They were of course not to see each other for the following 12 years.

Shcharansky, refused a visa a year earlier on the ground that his mathematical work (concerning the use of computers in chess) at the Moscow Physical-Technical Institute was secret, stayed on, under increasing KGB pressure. His agitation on behalf of refuseniks, membership of the Moscow Helsinki monitoring group, and open contacts with Westerners, earned him in his words first a "tail" of two agents, then a "box" of four, and finally a "cage" of eight agents. In March 1977 the KGB definitely pounced on him, in the presence of the then Moscow correspondent of the Financial Times and another Western journalist. But it took the authorities a further 15 months and 300 interrogations to "build" a case against him.

The Shcharansky trial and conviction were a *cause célèbre* from the start, because of the accusation that he had worked for the CIA and President Carter's flat denial of this charge. But it stayed in the public mind, thanks to Avital's tireless buttonholing of Western politicians to mount pressure for Anatoly's release. Yet, the Gilbert book shows his mother, Ida, to have been an equally doughty fighter within the Soviet Union on her son's behalf. Probably most sustaining to Shcharansky was his own wry sense of humour. "The most pleasure I get is from reading about the harm of nicotine and alcohol," wrote the perennially frail, five foot three inch "refusenik," claiming to feel longer-lived simply as the result of being denied both these substances.

In the end, however, this book rather disappoints. It is too much pure chronicle, in the vein of Mr Gilbert's recent work on the Holocaust. A number of wider questions cry out for the dispassionate analysis that a historian of Mr Gilbert's distinction could provide.

How very different is the lot of Jews from that of non-Jews in the Soviet Union? It is certainly worse, because of historic anti-Semitism and of Moscow's foreign policy conflicts with Israel. But leaving the Soviet Union is no easier, and can be harder, for gentiles. The country has never had a tradition of free travel. The Shcharanskys, Anatoly and Avital, were in a minority among Soviet Jews in opting for Israel; in recent years most Jewish emigrants have settled elsewhere, usually the US, a fact that nettles the Kremlin.

Mr Gilbert argues that Soviet Jews just want to leave the Soviet Union, not change it. But Shcharansky himself was active in the broader Soviet human rights movement, knowing that only when due process of law is observed will the arbitrary mistreatment of refuseniks end.

Is there any basis to the Kremlin's security concerns about Jewish emigration? Very little indeed. Mr Gilbert points out that the lists of refuseniks Shcharansky helped publicise in the West only revealed the workplace of an individual refusenik where the objection of "state security" was absurd ie the Moscow Circus. In other words, the lists themselves could not possibly help Western intelligence locate places of allegedly secret work. But, in understanding the reaction of the paranoid Soviet authorities, one must bear in mind the Soviet emigres who have served in the armed forces, Jew and non-Jew alike, and who have helped the West get a picture of the Red Army though only in terms of everyday life and morale, and usually far out of date. They are most unlikely to have transmitted any valuable secret information.

Can Western economic, as well political, pressure help? The "carrot" was tried in the early 1970s, when US tariff and credit concessions were tied to freer emigration. It failed when Moscow renounced its US trade accord, because Mr Gilbert is surely right to suggest, the US Congress limited the size of the carrot (a ceiling of $300m in credit). But Mr Gilbert omits to mention that the Shcharansky case was the first of a series of recent US attempts to use the "stick."

President Carter cancelled export to Moscow of a $7m computer on hearing the news of Shcharansky's conviction. The fact that Shcharansky was freed after a long barrage of publicity but also three months after the Gorbachev-Reagan summit, promising a better era of superpower relations, suggests that only a mixture of carrot and stick can help.

David Buchan

Fiction

Second thoughts about revenge

THE FIFTH SON
by Elie Wiesel, translated from the French by Marion Wiesel. Viking. £9.95. 220 pages.

DOING THE VOICES
by Jeremy Brooks. Viking Salamander. £9.95. 159 pages.

THE GIRLS
by John Bowen. Hamish Hamilton. £9.95. 182 pages.

THE PEARLKILLERS
by Rachel Ingalls. Faber & Faber. £9.95. 208 pages.

THE BATHING HUTS
by Monique Lange, translated from the French by Barbara Beaumont. Marion Boyars. £8.95. 112 pages.

ELIE WIESEL once referred to himself as an "American national who writes Jewish-inspired novels in French." He survived Auschwitz with his family when he was 15, and emerged alone from Buchenwald when he was 17. He told the story of that episode in *La Nuit* (1958); he has followed this with many more stark and interesting and possibly critically underrated novels. Now comes *The Fifth Son*, for which he has already received the Grand Prix de la Littérature de la Ville de Paris.

"The Torah speaks about four sons: one who is wise and one who is contrary; one who is simple and one who does not even know how to ask a question." This is in the Passover Haggadah—and Wiesel comments, early in this novel, "There is of course a fifth son, but he does not appear in the tale because he is gone."

This book is the story of a young man who is anxious to discover exactly what his father did during the war. The father is guilty about an act in which he participated: the destruction, as he thought, of a dreaded SS officer, by a group of which he was a member. The young man finds out that the SS officer is still living, and living well. He sets out to finish the bungled job. But he has second thoughts.

This is a lucid and straightforward, perhaps somewhat strident, but by no means simplistic, novel. It reveals something about revenge that by no means everyone can understand as well as the author, who is surely in a position to judge. He has executed his task worthily and well.

In *Jampot Smith* Jeremy Brooks created one of the few genuinely picaresque characters in post-war English fiction—as Anthony Burgess pointed out. The four long stories collected here continue this odd, original and agreeable vein. Perhaps Brooks is so good because he works in the theatre and writes fiction only when he feels impelled to do so.

The best of these tales—although all are excellent—is "A Value," a sort of variation on the theme of the mad professor in Conrad's still critically underrated satirical masterpiece *The Secret Agent*.

I would wager that this has caught Brook's imagination, as it has that of so many others. "A Value" is about a crazy old poet and a bomb, and, as so often with this author, it packs into a few pages material fit for quite a long novel. Jeremy Brooks confounds reviewers in exactly the right way: he leaves little for them to say except to recommend his work. He has never written better.

John Bowen began by writing some interesting novels (especially *Storyboard*) and then abandoned the novel to pursue a career as a playwright and to write for television. He returned to fiction with *The McGuffin* in 1984. This was a good thriller without much pretension to seriousness. *The Girls* is a sort of pastoral tragicomedy, and, I regret to say, does not come off. It seemed to me to be acutely sentimental. It is well written and has some fine moments, but the overall conception, of how two girls succeed in accommodating to each other, falls well short of psychological conviction.

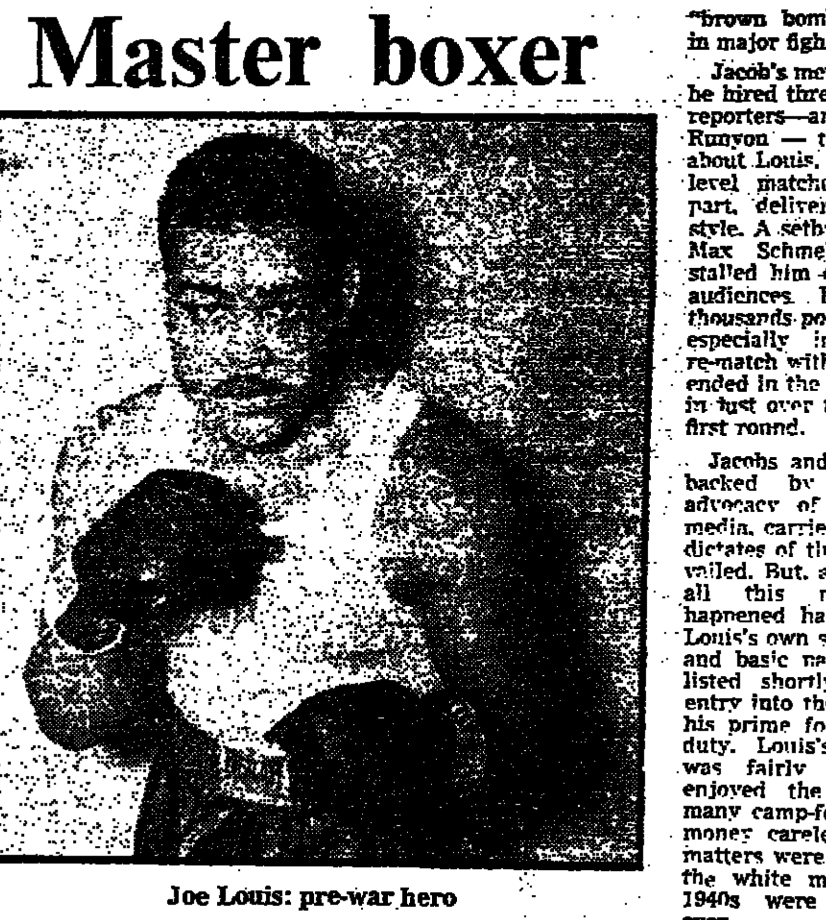
Rachel Ingalls is described as an author of "complete and absolute originality." This would be a silly claim to make of William Shakespeare, and is even sillier when it is made here. It would do no service to any author. In this case it draws attention to the fact that the material consists of a currently fashionable stew of Gothic and nastiness (e.g. mass lobotomies). In other words it is rather unoriginal . . . are there any compensations?

There are four stories, clearly written, and evidently sincere. What gets in the way of their meaning very much is precisely the fashionable genre for which the author is straining. She has lost sight, for the most part, of what she herself would like to say in the interests of pleasing the expectations of her readers. I await a book by her which is more original, at least, than this.

Monique Lange has been compared to Simone de Beauvoir and Françoise Sagan, her publisher proudly informs us. Those who have read these authors will know that she could hardly resemble both . . . In point of fact she is much better than Sagan but not as good as de Beauvoir. *The Bathing Huts* is a dreary but worthy book ("feminine"—how could it not be?) about a woman's trying to come to terms with her ageing. It is sensitive and acute, but also unnecessarily written in the present continuous — indeed, this technical aspect of it reminds the reader all too forcefully that is altogether too sensitive and acute. It is a thin and very expensive book which I feel guilty at not being able to recommend.

Martin Seymour-Smith

Master boxer



Joe Louis: pre-war hero

CHAMPION JOE LOUIS BLACK HERO IN WHITE AMERICA
by Chris Mead. Scribners $18.95. 330 pages

CAN IT BE that scarcely a quarter century has elapsed since the walls of apartheid in America came tumbling down?

We are reminded just how hard-fought the battle against racism was, and still is, with the recent lack of warmth with which the southern states—the former slave states—greeted the occasion of a national holiday declared in Dr Martin Luther King's name.

Another name that might warrant similar consideration is that of Joseph Louis Barrow, simply Joe Louis to anyone remotely familiar with boxing.

It is one of the paradoxes of the civil rights movement that many of the early successes in overcoming racial discrimination emerged not from black political leaders but within the sports and entertainment fields.

No one was a better example of his race, in the eyes of white America in the 1930s, than Joe Louis, an uncomplicated and uneducated youth who boxed his way out of the ghettoes of Detroit to become one of the great pugilists in modern ring history.

Louis' pivotal role in heralding the sea change in white attitudes towards blacks is the subject of a fascinating biography-cum-social history, Champion Joe Louis: Black Hero in White America. It is written by Chris Mead, a law school graduate from Virginia. He was born in 1959, eight years after Louis' last fight, but he writes of boxing with the enthusiasm of a veteran sports reporter. Mead also deepens his story with a thorough analysis of what obstacles faced black athletes, particularly boxers seeking to make their way into the big time.

Boxing was the only major sport in America that enjoyed nominal integration before the Second World War. But even at that, it was a virtual impossibility for any black fighter, no matter how good, to be allowed to box leading white contenders, especially in the glamorous heavyweight division.

If there was a single reason for the existence of this invisible colour bar, it was the antics of Jack Johnson, the first black heavyweight champion in the years before the First World War. His skills notwithstanding, he flew in the face of white sensibilities by openly drinking and consorting with white prostitutes, one of whom he drove to suicide. He lost his championship, probably in a "fixed" fight, to Jess Willard in 1916.

Louis was fortunate enough to have been discovered by two ring and race-wise black promoters who guided him to more than two dozen knockout victories over white opponents in the mid-1930s. His big break came in the person of Mike Jacobs, a disgruntled white promoter who, desperate to break the Madison Square Garden cartel that controlled big time boxing in New York, decided to risk promoting the promising "brown bomber" from Detroit in major fights.

Jacob's methods were shady—he hired three Hearst Syndicate reporters—among them Damon Runyon — to write favourably about Louis, and organise top-level matches. Louis, for his part, delivered in devastating style. A setback at the hands of Max Schmeling of Germany stalled him only briefly. White audiences, by the tens of thousands poured in to see him, especially in his memorable re-match with Schmeling, which ended in the latter's destruction in just over two minutes of the first round.

Jacobs and his black fighter, backed by the unexpected advocacy of the white sports media, carried the day: and the dictates of the marketplace prevailed. But, as Mead points out, all this might not have happened had it not been for Louis's own simple, good nature and basic patriotism — he enlisted shortly after America's entry into the war and gave up his prime for four years army duty. Louis's own private life was fairly tumultuous — he enjoyed the comforts of his many camp-followers and spent money carelessly — but these matters were scarcely raised by the white media who, by the 1940s were thoroughly won over.

Boxing enthusiasts will enjoy Mead's blow-by-blow descriptions of some of Louis' most famous fights. Readers in the UK, however, might express some dismay at one regrettable oversight, that is, the scant attention given to Louis' battle in 1937 with Tommy Farr, the Tonypandy Terror. Louis won a still-disputed decision by the narrowest of margins. Had he lost that fight, and his championship, the cause of racial integration in American sport would undoubtedly have been set back.

Frank Gray

Going concerns

WORKING AT LEISURE
by Barrie Sherman. Methuen £12.95 (£5.95 paperback) 198 pages

THE CLAIM is made for this book by the publishers that it is an optimistic work, and so, in a sense, it is. Barrie Sherman's central message, developed from his earlier book on the changing pattern of employment, is that there is work enough for all, providing we redefine what we mean by work, and providing the policy-makers grasp the need for a wholly new approach to the employment issue.

The less cheerful side of Mr Sherman's analysis is his insistence that there is no going back to full employment in the conventional sense of full-time work and jobs for life for nearly all as in the immediate post-war years. This is a view which is shared by a growing number of perceptive writers on the future of work, such as Charles Handy and James Robertson, and I believe it is an entirely realistic one.

Why the politicians go on talking about employment and unemployment in traditional terms I do not know. Since I suspect that most of the electorate are perfectly well aware of the new realities about work there would seem to be a golden opportunity for whichever party leaders have the courage and intellectual imagination to come forward and speak frankly.

But for the moment the political debate in Britain about longer term issues has gone stone dead. As Barrie Sherman remarks, this may have something to do with the "one week" perspective that seems to reign at Westminster and the lack of really powerful long-range thinking coming out of Parliament. The net effect is to give a good deal of public policy discussion a sort of frozen landscape quality. Books like this one may gradually help change things, although it is all going to be very slow.

One reason for this is that while much of the new thinking on labour markets and work is long on analysis it is miserably short on proposals and remedies. If people are not going to be in full-time paid employment where will they go for money? How will personal living standards be financed? What is to replace earnings?

This is the question towards which "Working at Leisure" painfully struggles but at which it somehow never arrives. Mr Sherman drifts off into talk about socialism, financial security for all through negative income tax, industrial "democracy" and even more public ownership, although somehow this time it is not going to be monolithic.

The option which he does not explore is to my mind far the most promising—namely widespread ownership of capital to compensate for low or part-time income, or for shortened work careers. The Sherman preoccupation remains with earnings and pay, which inevitably leads up the dismal *cul-de-sac* of incomes policies and all the other failed concepts of a more centralised past.

In a sense, therefore, Working at Leisure is a book with a huge hole in the middle. One hopes to be led not merely away from conventional ideas about employment and income sources but towards a new landscape of wealth distribution altogether. The book guides us excellently through the first stage but teeters at the edge of the second.

What it would be good to hear from Mr Sherman, and other pioneer thinkers on new patterns of work and leisure, is not just how the whole labour market is in effect being fragmented and miniaturised, which he explains very clearly, but how capitalism can be miniaturised as well to underpin the new social structure.

Until ideas on this crucial further aspect are much more developed it seems to me to be sadly inevitable that the policy-makers will cling to the priorities they know, however irrelevant, rather than bravely set sail for a new world which is, as yet, on none of their maps.

David Howell

All on tape

TALKING TO MYSELF: A MEMOIR OF MY TIMES
by Studs Terkel. Harrap. £9.95. 337 pages

STUDS TERKEL'S claim to fame rests on three "oral histories": *Division Street* (1967), *Hard Times* (1970) and *Working* (1974).

In these remarkable books Studs' inspired editing of taped interviews with ordinary people produced a new, vital kind of social history, in which he caught the tang of American idiom as well as obtaining unusually frank accounts and opinions. This is what his fellow Chicagoan Carl ("City of the Big Shoulders") Sandburg had tried to do in his long poem *The People, Yes*, and it is what we need more of today: actual sound and speech rather than the voices of documentary actors mouthing prepared lines. All it requires is the constant presence of a tape-recorder—and the ability of a Studs Terkel.

"I am, despite what appears to be a passion for life," says Studs, "attached to a mechanical device . . . I tape, therefore I am." In *Talking to Myself* he has produced another "oral history," but one in which he records himself as well as his interviewees, famous and not-so-famous. The famous include Ivy Compton-Burnett, Bertrand Russell, Mahalia Jackson, James Cameron, A. S. Neill, Carlo Levi, Bernadette Devlin, Alan Paton, Nelson Algren and Nadine Gordimer. But it is the unknown ones who remain etched in the memory—the Italian waiter, for example, who pours out his life-story to the uncomprehending but sympathetic Studs; Mayor Daley's policemen; Chicago hookers; punch-drunk "Battling Nelson."

Talking to Myself is an apt title for the vignettes and opinions which crowd this warm-hearted book. Only one thing mars the reader's complete enjoyment and that is that the method of random recording, well suited to oral histories which ocupy only a single block of time, becomes irritating as the narrative slips cog after cog through nearly 70 years. At one moment we are in 1962, at another in 1924, at another in 1950, and so on. But this is a small price to pay when set against the vividness of Studs' memories. The secret of his success is that he is always himself: open, vulnerable and understanding. Although this is not the best of his books it is a welcome addition—after a delay of nine years since the American publication—to the Terkel canon.

Geoffrey Moore

CRIME

FIRST HIT OF THE SEASON
by Jane Dentinger. Gollancz. £8.95. 179 pages

Jane Dentinger's first novel, Murder on Cue, was often engaging, but sometimes hectic, and the dizzying pace of the wisecracks could test the reader's patience. This second appearance of actress-detective Jocelyn O'Rourke is much smoother, and thoroughly enjoyable.

William Weaver

Visual arts

Artist's portrait

JOHN SINGER SARGENT: HIS PORTRAIT by Stanley Olson. Macmillan £16.95. 319 pages

WHEN HENRY JAMES met Sargent, he recognised the embodiment of one of his heroes; the presence of the Master hovers throughout Stanley Olson's book, in person and with pen in hand, like a benign and sometimes meddlesome Buddha.

The author is a considerable stylist himself; he writes with a pared-down elegance, never a cliché or otiose word to blur his sharp drawn sentences or soften his terse wit. The materials for his meticulous research he has cunningly concealed and what he gives us is a biography so distilled that it reads like a novel.

The story starts when Sargent's parents, a moderately well-to-do couple from the higher echelons of Philadelphia society, sailed for Europe to help Mrs Sargent recuperate after the death of her first child. But once abroad, nothing could persuade her to return; she became a complete valetudinarian; any excuse of climate, hot or cold, or the threat of illness it might bring, postponed the journey home.

Mrs Sargent persuaded her gentle husband to trail with her from spa to pensione, making him abandon his chosen career of eye-surgeon. She eventually died aged 79 from a treatment designed to prevent her contracting bronchitis. However, it must be said that everyone who met Mrs Sargent found her wholly delightful, and the care which these parents gave throughout their wanderings to their two children who survived ensured that by the age of 18 John Sargent was fluent in French, Italian and German, loved French literature, and played the piano with great talent.

Once Sargent's artistic gifts had become strikingly apparent, he entered the atelier of Carolus Duran, a Parisian Salon painter "witheringly talented." Duran taught Sargent for four dollars a month. The pupil progressed astonishingly, and was soon a medallist at the Salon. His success aroused no jealousy, for he had a singular gentleness of disposition, and masked his inherent shyness behind a wall of perfect courtesy. His talent for friendship was already ripe. Though never a Bohemian, he enjoyed life with his fellow students, and once gave them a celebration dinner which consisted of nine courses, continued till 6 am, and overwhelmed the less doughty for several days.

It is from the diary of John Carroll Beckwith, who shared a studio with Sargent, that Mr Olson discovered the story of his sole romantic venture. At the age of 25 he met the deliciously pretty Louise Burckhardt, seven years younger than he was, and for a time seemed smitten. The short summer romance was a tale of high hopes, beautiful omissions, question marks without questions posed, and it quietly faded when Sargent found "he had used up his intellectual curiosity about love." He was one of those rare persons naturally celibate and chaste; his emotional life was to be filled by work, and the love of his family and friends.

Had Sargent responded more to the allurements of women, been less innocent of feminine artifice, he would not have suffered the only setback in his career, the scandal aroused by his portrait of Mme Gautreau. The lady, a beauty outrageously embellished by cosmetics, had sought to gatecrash Parisian society. Sargent's portrait shows her in all her purple powdered defiance, with a deeply decolleté dress visibly padded to produce an hourglass form. It was the bravado of the thing that shocked the Salon. Boldini, who loved seductive women, would have painted some bright plumage to subdue the complexion, made lissom those provoking arms.

It was partly the outcry caused by this painting, partly the perseverance of Henry James, who invited him to London and introduced him to absolutely everybody, and partly the sheer joy he found in the artists' colony at Broadway — "The whole place rang with the loud clear note of dreams come true" — that encouraged Sargent to take a studio in London.

Writing about his protégé in 1893, Henry James declared: "There is no greater work of art than a great portrait." and it was through his portraits that Sargent became famous. He was not without rivals: Lord Curzon chose Lenbach to depict the haunting beauty of his young wife, de Laszlo to give his mistress Elinor Glyn that "royalty in exile" look, and only in his middle years did he coax Sargent out of retirement to paint the second Lady Curzon in the role of Foreign Secretary's wife.

Sargent made his sitters look important. His clients were always rich, and often American; he gave them the aura of a good balance at the bank and a handsome family tree. He advised the women who sat for him he liked painting them in white satin, and he was particularly good at depicting pearls.

It was not until I read this book that I learned how much Sargent came to dislike painting what he called "paughtraits," that he found the work a treadmill. Financial necessity imposed it; after his father's death he had to support his mother and his beloved sister Emily. He was always lavish in disposing of his large earnings. He had no compunction about charging top prices, up to £1,000 a portrait (£50,000 today). Yet it is hard to believe that such masterpieces as the Wyndham Sisters, Lord Ribblesdale, and Lady Astor, could have been painted without delight. When he abandoned "mugs" in oil, he drew charcoal portraits, which took two hours each, for 100 guineas; I find some of these spontaneous drawings to be his most successful delineations of character.

One reason he cited for his weariness of portraiture was the effort of conversing with his sitters. Sargent was always very shy, although he was an inveterate diner-out, unable to refuse the demands of rampant hostesses, and most especially those of Mrs Charlie Hunter (nicknamed "Mrs Lion Hunter"). Everyone who met him spoke only of his kindness and niceness. He never wrote harsh words; he ordered a special stamp inscribed "Damn," with which he merrily effaced the text of particularly tiresome letters, and having assuaged his irritation, would compose a polite reply.

What he considered the most important work of his life was the commission to paint vast murals for various institutions in Boston. This task occupied him for nearly 30 years, and was a great patriotic gesture to a country he saw for the first time at the age of 20. The subjects are mythology, and the history of religion — a strange choice for a man not at all devout.

Today the murals have faded, and are dimly lit; worse still, they have sadly dated — the nymphs look like Gibson girls in a commercial. It would be hard to guess that this Herculean work was the magnum opus of Sargent. This indeed would have been a theme for James, but Mr Olson has handled it with consideration and sympathy in this dignified, wonderfully good biography.

Jane Abdy

John Singer Sargent's portrait of Lady Astor

Fate of a collector's retreat

MONKTON, the remote country retreat of the eccentric patron of the arts, Edward James, looks certain to be lost to the public. James died in 1984 and, much to the horror of the conservationist and arts establishment, his trustees decided to sell Monkton and its remaining contents.

English Heritage was given first refusal, and seven months in which to raise around £1.5m to acquire the house, its "Surrealist" contents, and the money to make it visitable. It looked to the National Heritage Memorial Fund for a £1m contribution but the fund has decided that, in this instance, it cannot save the house.

The fund justified its refusal on the grounds that there are many competing demands on its limited resources; that Monkton has already been stripped of its finest Surrealist pictures; and that sited as it is at the end of a two-mile track in the most remote Sussex countryside, and of really a tiny size, it is just not suitable for visits by large numbers of the public.

The nation, which has been roused by SAVE, has until April 30 to match the offer from a private individual who has informed the trustees that he is prepared to pay their price for Monkton and some of its contents. This suggests that he likes this most quirky house and although probably few arts lovers will now get the chance to marvel at the outpourings of James's louche imagination at least Monkton will not be destroyed.

Antony Thorncroft

A chorus of some conviction

THE first half of the London Symphony Chorus's programme at the Festival Hall on Thursday comprised exquisite music exquisitely played. In the second, Vaughan Williams's *Sea Symphony*, though fervently done and with the aid of doughty soloists Yvonne Kenny and Stephen Roberts, confirmed itself as belonging to the *Elijah* category of protracted choral boredom.

The quietly throbbing opening measures of Brahms's *Song of Destiny* were intoned by the London Symphony Orchestra, under Richard Hickox, with feeling care: those moments of acute dissonance were tellingly placed. The chorus found for the first part of the piece a convincing heavenly murmurousness, and an astringent passion for the earthly longings of the louder and sterner second part.

In the five of Mahler's Rückert songs which made up the next item, mezzo soprano Ann Murray used tone-quality and eloquence of a consistently, perhaps insistently, ethereal kind. Her purity of line was impressive and moving—*Ich bin der Welt abhanden gekommen* can rarely have sounded so finely-grained or far removed—but she missed the aching intensity of the settings, particularly on such phrases as "Ich leb' allein" and "In meinem Lieben" of that same song.

The *Sea Symphony* got off to a tremendous start, as how could it not? During the long first movement attention, I found, was sufficiently held, and there were Whitman's lines of verse breathing a hot life off the programme-page for temporary distraction. Increasingly, though, I felt that the experiences enacted by the text were rendered phoney by the musical expression. The second movement's characterless jogtrot for the line "A vast similitude interlocks all," and the bombastic scherzo's pure English choral rot at the line "Where the great vessel sailing" tried the patience. The stately, sub-Elgarian, and utterly endless finale wholly exhausted it. Early Vaughan Williams is not due for a revival yet, I think, played indifferently or well.

Paul Driver

Radio

A hollow celebration

IT WAS just as I foretold. St George was celebrated with one single item, Noël Coward's *Cavalcade*. It happens that this day, April 23, was also Shakespeare's birthday, and the day on which we commemorate the landings at Gallipoli, when we do. In the Antipodes, they call it Anzac Day. In Lancashire, whence one regiment won eight VCs in a single day, they call it Gallipoli Day. Well, Radio 4 gave us a 15-minute *Thought for Shakespeare's Birthday*, but there was nothing for the Anzacs or the Lancashire Fusiliers. Just *Cavalcade*, compressed into 90 minutes.

It made an unexpectedly lowering impression on me. As Sheridan Morley pointed out in a percipient article in the Radio Times, the great patriotic appeal was not exactly what Coward expected. After all, it is a sad piece. The two sons of Robert Marryot and his wife Jane are both killed; Bridges, their butler, becomes a drunk (and is killed); Fanny's hit number is "Twentieth Century Blues," a song disparaging the times to which the Boer War and the invention of the aeroplane and the sinking of the Titanic and the Great War ultimately led.

There are no worthwhile parts in the play, but the Marryots and their children and their servants were decently cast, and Dinah Sheridan put her heart into the New Year's toast, that one day this country would "find dignity and greatness and peace," even if she hardly sounded her age. Melinda Walker sang "Twentieth Century Blues," which, unless I misheard, contained the line "What is there to strike for?" Then we ended with the starving miners and the rise of Mussolini. Graham Gauld was the director.

Of the other drama that I heard during the week, nothing equalled the repeat of Tom Stoppard's *Albert Bridge* on Sunday, with John Hurt as Albert, or Radio 3's *Richard III* later the same day, with Ian Holm as Richard and Tom Wilkinson as Buckingham. Richard was complemented by comic reminiscences on Tuesday, with Bill Wallis as Alfred Bunn, and a "radiogenic dramatic scene" on Friday for voice and string quartet. These were repeats, too. It was bright of Radio 3 to follow a theme throughout the week, collecting related items that might not have been more or less simultaneously accessible before.

I was fascinated by a programme on Radio 4 on Sunday called *JASNA*. The letters stand for Jane Austen Society of North America, an association of some 2,000 people in every state of the union. To judge from some of the quiz their Jane better than most of us. Long may they flourish.

Last Saturday, LBC gave the last of four plays made by Radio Clyde in association with the Health Education Council. It was a pleasant romantic piece about middle-aged affection, but its object was to show how to live when you are in danger of a heart-attack. The theme was never exaggerated, and like every play I have heard from Radio Clyde, it was admirably produced. *Chinese Dreamers* was the title, and the author Nick McCarty.

B. A. Young

Solution to Chess No. 617

1 NxP. If BxN; 2 N-Q2, or if B elsewhere; 2 N-N2, or if P-K6; 2 Q-Q5, or if PxN; 2 B-Q5, or if N moves; 2 N-K5.

Performing arts

The meditations of Dr Miller

ALTHOUGH Jonathan Miller announced his withdrawal from the performing arts four years ago he has been as true to his retiring intention as was Dame Nellie Melba to hers. No one of any sense or sensibility regrets this failure on the good doctor's part to keep his word. And no one who has enjoyed his work on stage and television over the past 25 years will be surprised that his extended meditations upon the director's craft, Subsequent Performances (Faber and Faber, £15), are intriguing, scrupulous and untainted by showbiz name-drops or hollow self-justification.

Miller is more than capable of making his points in words, but Derek Birdsall's deceptive coffee table design allows the flood of painterly references to invade the text without swamping it. Caravaggio's *The Calling of St Matthew* is helpfully reproduced to illustrate Miller's passage about the problems of lighting and locating *King Lear* on television; Goya's *The Sleep of Reason* is an evocative nudge in recalling Miller's opening image of the slumbering Tamino in an 18th-century library in his *Magic Flute*; Millais' *The Blind Girl* and Dyce's *Pegwell Bay* are comprehensible Victorian springboards to the TV *Alice* that by-passed Tenniel to realise "the disjunctive grammar of dream."

The business of directing is revealed as a method of unravelling the truth and density of Shakespeare or Mozart through recourse to art history, linguistic philosophy, psychological observation and the application of clinical knowledge. While often the visual references in a Miller production give more pleasure once you know the source of comparison (that, for instance, his TV *Othello* was set in a particular Renaissance palace; that the casting of Angela Pleasance, in his Mermaid *Tempest* was an attempt to reproduce the "abject virgin" of Epstein's *(The Visitation)* the programme-note style of identification in no way impairs the remembered pleasures of the productions. These were the keys used to unlock the doors of complicated masterpieces.

In his first 70 pages, Miller patiently defines the role of an intervening director, brilliantly working towards the assertion that what he calls the "afterlife" of a play will continue to depend on active revival in the theatre rather than on repetition on film or TV. He deals, unanswerably, with the old canard of an "ideal" production, arguing that no such thing is possible; it contradicts the notion of a play's organic growth as it submits itself to each generation, each new playgoer and actor, as a candidate for "successive recreation."

Peter Brook is credited with the idea (in his *Empty Space* pronouncements) of giving the audience "a self-conscious awareness of the peculiarity of their predicament as witnesses of a dramatic spectacle." Theatre wallahs might have thrown in Brecht, Pirandello, Anouilh. But the particular virtues of Miller's contribution in the arts—about which he knows a good deal more than most theatre wallahs anyway — stem from his conspicuous lack of theatrical wallah-dom. Thus his generous acknowledgement of the influence upon him of Peter Hall's *Henry V*, Brook's *Dream* and *Marat Sade*, carries a special force.

The Shakespeare sketch in *Beyond the Fringe* was the lighter side of the same interpretative coin. The first thing you do with *Twelfth Night*, for instance, is abolish treills and garden pots in the letter scene; with *Magic Flute*, you prevent Monostatos resembling a golliwog, or the Queen of the Night coming on like Yma Sumac making a personal appearance in Aztec Night at the Copacabana.

What replaces the encrusted traditional elements is often derided as iconoclastic meddling and perhaps—a view that could be easily argued, and has been on these pages — too much baby goes out with the bath water. But Miller is one of the few directors capable of removing that grey tidemark from the enamel. And he does so by scrubbing then purifying, then filling up with uncontaminated, invigorating hot water. He is, to be crude, an intelligent innocent.

A recent example was his *Cosi fan Tutte* for BBC TV, his third production of the opera and still, he says, finally unsatisfactory as he realised too late what a nasty meddling experimentalist is Don Alfonso. But the manner in which he balanced the demands of the small screen with the artificial nature of the work seemed to me admirable. The groupings were delicious without being strained, the setting confined and suggestive without being claustrophobic, the technical synchronisation of acting and recorded sound as perfect as I have seen. The performance was jocund but perfectly serious and fruitfully investigative of the quartet's maturing sexuality and jealous cross-currents. It was never soppy, never portentous.

Miller claims in his book to be musically dyslexic (he can hardly read a score, doesn't play an instrument) but musically literate. But he brings to opera the same analytic intelligence he has brought to drama. Without being tediously autobiographical, he laments the bureaucratic transformation of the National Theatre and, in a vivid thumbnail appreciation of Kenneth Tynan ("astrakhan-collared vulgarity") ventures the opinion that the theatre has lost its glamour and surprise, has become too respectable.

His writing on Shakespearian comic heroines and their hermaphroditic functionalism, themes in *The Merchant* (for Miller, increasingly, the most interesting and complex play of them all), the Puritan significance of *The Shrew*, the schizophrenic condition of Ophelia, the need to apply clinically observed rules of conversational decorum to Chekhov — all this is riveting, not least because it is illustrated from his own theatrical experience.

He moves through these sections, from the initial justification of the director's role and the necessity of performing Shakespeare instead of just reading him, to a beguiling attack on the adaptation of fiction to other media, drawing on Flaubert and Proust, Dickens and Hardy, to elucidate the absurdity (in his view) of plastering visible form on characters with whom an intelligible acquaintance has been previcously maintained. On stage or screen our shock at seeing Rochester or D'Arcy resides not in the fact that they differ from our idea of them, but that they have acquired an "impudent visibility" in the first place.

The arguments here are brilliantly propounded, but the case against Wajda or Lyubimov translating Dostoyevsky into another and collateral dimension is not made at all. Hampton is not displacing Laclos by writing his brilliant adaptation of *Les Liaisons Dangereuses* any more than Shared Experience are betraying Richardson by using *Pamela* to construct their own idiosyncratic theatrical artifice. The *Swann in Love* film to which Miller refers was not very good. But the Glasgow Citizens' reduced Proust was a playfully brilliant distillation, as indeed, in different ways, is Pinter's still unproduced screenplay.

Still, however much Miller careers off at a tangent with his inspirational applications of linguistic theory and behavioural science to the everyday currency of adaptation, the vigour and enthusiasm of the argumentative method and supportive *exempla* are never less than awe-inspiring. As you read, your jaw drops in wonder and appreciation; and yet, like the born communicative teacher he is, he never bores or irritates.

In 100 textbooks on Chekhov you will never find an academic explaining the echolalia of the Balzac delayed exchange in *Three Sisters*. Miller combines to a rare degree, genuine learning with intuitive spontaneity. This book is a most valuable informal testimony to half a life in and around the performing arts. The best, and rest, may yet be still to come.

Michael Coveney

Jonathan Miller—revelations on the director's craft

Records

Collective responsibility

BLACK Americans originated jazz and they remain the masters of the music, the style-setters. When it comes to originality and genuine swing, Europeans are rarely their equals. Yet in the past 25 or so years a highly individual brand of European jazz has been evolving. With its roots in the European classical tradition rather than in black American music, it is a type of jazz, or "free" improvised music, in which collective improvisation is generally more important than solo contributions. This explains why, maybe, the Soviet Union is at last beginning to hug jazz, albeit gingerly, to its cultural breast. The story of its belated recognition of improvised music is explained in *Russian Jazz: New Identity*, edited by Leo Feigin (Quartet Books) and aurally illustrated on albums from his own label, Leo.

The Ganelin Trio, which toured Britain last year and soon visits North America for the first time, is by far the best-known Russian jazz group. It plays what its leader/pianist Vyacheslav Ganelin terms "lyrical avant-garde." He adds that his music is "deliberately poly-stylistic."

Con Affetto (Leo LR 137), the trio's 14th record, comprises a 28-minute suite, "Semplice," by Ganelin himself, plus three encores. The music is at times wild, quiet, rambling, tinkling, in parts *avant-garde*, constantly suggesting many styles, but rarely lyrical. Piano, sax and drums interact with such facility and naturalness that it seems certain there is a measure of pre-ordering rather than genuine spontaneity. Leader Ganelin plays several instruments as well as piano, on which he is somewhat heavy-handed. Saxist Vladimir Chekasin predictably climbs into the stratospheric regions of his tenor and sometimes plays two saxes simultaneously (à la Roland Kirk).

Valentina Ponomareva is a Russian gypsy who, along with Britain's Maggie Nicols, Norway's Karin Krog and Poland's Urszula Dudziak, has an unconventional way of expressing herself vocally. Though "Ain't Misbehavin'" and Lennon and McCartney's "Michelle" are included on *Fortune-Teller* (Leo LR 136) she does not sing the lyrics, merely using the tunes as vehicles for her vocal gymnastics, her scatting and use of voice as an emitter of sounds.

She is found in a variety of settings. On "Sheptalki," by one of Russia's leading contemporary composers, Sofia Gubaydulina, she has the underused support of a symphony orchestra in a piece heavily redolent of music for a sci-fi film. On other tracks the Ganelin's Chekasin is present and obviously at home in such "free" surroundings.

Saxophonist Vladimir Rezitsky is the leader of the group Arkhangelsk which lives and plays in that sea port, more than 1,000 km from Moscow. *Arkhangelsk — Live in Lenigrad* (Leo LR 135) comprises mostly free improvisations by the group's six members. "On the Sunny Side of the Street" and "Rock Around the Clock" are interpolated, but in view of the hard-edged, aggressive sounds which dominate both sides (neither well recorded) Russian tongues sound firmly in cheeks for these welcome melodic excursions.

Such little indulgences here and on the two other records suggest there is a vein of wry humour behind the seeming ultra-seriousness of Soviet jazz. There is a pervading solemnity, too, in the music of Norwegian saxist Jan Garbarek, one of the most acclaimed of contemporary European musicians. His concept of jazz is steeped in Scandinavian moods and folk music.

It's OK to listen to the gray voice (ECM 1294) offers seven of his compositions whose titles are taken from poems by the Swede Tomas Tranströmer. Though Garbarek's music is austere, it has a shape and there is an undeniable dark fascination about it. Some of the pieces are simple, even repetitive. The dominating feeling is of calmness, broken only by some of David Torn's rather raucous guitar solos and, in other places, Garbarek's ventures into the higher regions of his tenor and soprano-sax.

★

After the sombre sounds and somewhat unbridled free playing of northern Europeans it is refreshing to hear more conventional jazz from this country, in particular the always stirring (to me, at least!) sounds of a big band. The latest LP from the National Youth Jazz Orchestra (NYJO) has the added interest of writing and instrumental contributions from John Dankworth, who has been a vice-president of the band since 1966. *Concrete Cows* (NYJO NYJ 006) features him on three of his own compositions. On "Dialectics" he plays soprano sax on which he is more biting than on clarinet or alto. Again, though, the star of the album is the band. Another fizzing performance all round — both in the ensembles and individually. Among the soloists, no doubt that Nigel Hitchcock's alto work-out on the title track is something extra special, if only for the fact that he was 14 when he recorded it!

Unlike NYJO, the Radio Leicester Big Band is not a full-time outfit. Originating in 1970 as "Music Explosion," it is really a rehearsal band undertaking about half-a-dozen public concerts a year. Even so, it has produced its own records and cassettes, and a few months ago won the Radio 2 National Big Band Competition for the second time.

RLBB 3—The Third Album (RLBB Records RLBB 104) is a mixture of interesting originals from sidesmen plus steady work-outs on big band favourites such as "Splanky" and "Hot Toddy." Obtainable only from Radio Leicester, Charles St, Leicester (price £4).

Kevin Henriques

•WEEKEND FT REPORT•

Personal Financial Planning

Something like a transformation scene is under way to encourage the private investor to buy UK equities. **John Edwards** outlines the effect of recent measures by the Chancellor of the Exchequer

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Towards wider share ownership

THE Government's long-term ambition to make the British people a nation of shareowners was firmly restated by the Chancellor of the Exchequer in his Budget speech this year. Mr Lawson introduced what he described as a "radical new scheme" to encourage direct investment in UK equities, especially by small savers. Known as the Personal Equity Plan it is due to be launched next January once the details have been ironed out.

The crux of the scheme (inevitably known as the PEP plan) is to offer tax incentives as an encouragement to invest in shares. That the plan is pitched at small investors is made clear by the fact that the maximum amount allowed to receive the tax incentives is only £2,400 a year (or £200 a month) to be held in a special account operated by a registered plan manager. This could be a bank or anyone else legally able to deal in shares. According to the Chancellor the plan will be simple and flexible to operate and encourage savers who have never previously invested in shares to come into the stock market for the first time. The carrot offered is that PEP investments, up to the maximums prescribed, will be free of capital gains tax on any capital profit made by the shares increasing in value and no income tax will be liable on the dividends.

In time, again according to Mr Lawson, it will bring a "dramatic increase of share ownership in Britain," although in the first year (1987-88) it will only cost the Inland Revenue a modest £25m.

The Chancellor admitted that the PEP plan was wholly different from the Loi Monory scheme in France (which gives tax deductions on the amount invested not just on any profits made) but claimed that it would be "every bit as successful in achieving its objective."

After the initial shock in assessing the impact of what is by any account a revolutionary scheme, industry reaction has been divided. The banks, and other leading potential plan managers, are generally in favour of the whole idea in principle. On the other hand critics of the scheme think it is an unworkable political gimmick that will only encourage small savers to switch from safe investments like the building societies into highly risky share dealings where they will operate on the most unfavourable terms. Opponents argue that the PEP plan breaches all the basic tenets of prudent investment: the amount of money involved means that it will be impossible to spread the risk properly and the cost of dealing will be proportionately very high especially if the investor exercises the right to manage his own portfolio.

The normal yield on UK equities is estimated at between four to five per cent annually: on an investment of £2,400 this would equal just over £100 — not a large sum to cover the management, administration and brokerage charges involved in share dealings. No doubt various schemes to overcome these problems, and accommodate the small saver, will be worked out during the months before the PEP plan becomes operational in January.

At the moment the Government appears determined to insist that PEP funds can only be invested in UK shares — that is after all the political motive behind the scheme to spread individual share ownership to a much wider public. But considerable pressure is already building up to reduce the risk involved in buying a small single holding by instead allowing PEP funds to go into investment or unit trusts, possibly only those investing purely in UK companies. Investment trusts, as shares quoted on the Stock Exchange, seem to have a particularly strong case to put forward while there is already growing support for unit trusts from small investors uncertain about which shares to choose.

However, the underlying weakness of the scheme is unlikely to be changed. The tax incentives are not worth a great deal to the small investor, who will already enjoy the normal exemption from capital gains tax up to £6,300 a year and probably pay the lower rates of income tax, usually liable on dividends. On a yield of just over £100 the annual income tax saving for the average investor would be only around £30.

Initially, at least, the main beneficiaries are likely to be investors who have already used up their normal capital gains tax exemption using the PEP plan to gain further relief. In the longer term the scheme, imperfect as it may be in its present form, is a radical step forward in encouraging greater use of the stock market by small investors who have so far fought shy, or been unable, to afford to go into stocks and shares.

There is no doubt that the success of the British Telecom issue, coupled with the apparent never-ending boom in the stock market, has already widened the number of shareholders considerably. The Chancellor gave a further minor boost for sharedealings, with his decision to halve the stamp duty payable from 1 to 0.5 per cent. But like many other items in the Budget it was a mixed blessing.

Although the duty has been reduced, it has simultaneously been extended to cover a much wider area previously free of duty—such as dealings within the account, takeover bids and mergers. The abolition of Capital Transfer Tax on lifetime gifts—possibly the biggest surprise in the Budget—also had a sting in the tail. At first sight the decision to replace CTT with an Inheritance Tax looked a generous gesture. On further reflection it could be viewed as a measure aimed at destroying the increasingly popular discounted gift schemes which were being used as a means of giving money away to avoid tax but at the same time retaining control — an important attraction for many people, of medium wealth, who are reluctant to give away their accumulated wealth prematurely just in case they might neeed it back at a later date or because they do not trust the recipient.

Now you are faced with the stark choice of giving the money away, and hoping you live for seven years, or Inheritance Tax—a new name for the former estate duty that was replaced by CTT. Even the concessions to charities in the Budget were accompanied by new restrictions aimed at blocking tax loopholes, which might make life more difficult for certain small charitable trusts.

Nevertheless in spite of what was, on balance, a disappointing Budget, with only minor tax concessions, the drive towards wider share ownership and increased interest in investment seems set to continue. The slide in interest rates, for example, means that many savers who were reasonably content with leaving their money in building societies are becoming rather uneasy and looking for more positive investments. The rise in property values in most parts of the country, and the voluntary or forced redundancy of an increased number of people, often taking early retirements, has also increased the flow of money from savers looking for suitable investments. The number of unit trusts has jumped dramatically to record levels and seems likely to keep expanding, making further inroads into the building societies markets. The Building Societies Bill, now going through Parliament, will enable them to be more competitive and may well change the face of the whole industry. Meanwhile, however, the decline in mortgage rates has coincided with the development of a highly competitive buyers market containing many new players, especially from abroad, undermining the traditional structure. For the moment at least borrowers are in a much stronger position to dictate their terms.

The forthcoming Big Bang in the City this October has already brought radical changes in attitudes on the stock exchange, with the private client coming back into favour. The Financial Services Bill, also making its way through Parliament, is likely to also bring important changes.

The stage is set for a complete transformation of the British investment scene in the year ahead. The Government, aided by the proposed batch of further privatisation issues, will be aiming to continue extending share ownership. But other more sophisticated forms of investment, which have gained wide popularity already on the other side of the Atlantic, are likely to become available in Britain too with powerful international groups challenging the old-style stockbrokers and capitalising on investors' increased awareness and willingness to shop around.

Savings and borrowings

It pays to shop around

JUST WHEN you thought you had begun to come to grips with the intricacies of personal finance, the market for savings and borrowings has come up with a number of schemes to attract your funds.

While consumers are revealing a greater sensitivity to interest rates, the marketplace itself is in the midst of radical changes as competition intensifies among banks and building societies.

House purchase remains the biggest single investment for most families, and the battle for the mortgage market has become increasingly cut-throat with the consumer destined to be the ultimate beneficiary.

Net new mortgage advances by banks and building societies were particularly buoyant in the fourth quarter of 1985, contributing to a rise of 11 per cent in net new advances between 1984 and 1985.

According to the Bank of England, "A notable feature of the mortgage market during 1985 was the increased lending by the banks. Competitive mortgage rates charged by the banks, especially in the third quarter, enabled them to make net mortgage advances of just over £4bn in 1985, compared with £2.3bn in 1984, and to increase their market share."

While the clearing banks have begun to market their mortgage lending more aggressively than in the past, customers accustomed to dealing with the local branch of their "friendly" building society have also become aware of newcomers in the field.

The mortgage market has in recent months been flooded with entrants such as foreign banks, merchant banks and insurance companies, all in search of profits.

They have been attracted both by the good yields on mortgages since the break-up of the building society cartel, and the virtually risk-free nature of such lending.

The latest newcomer to the UK mortgage market is The Mortgage Corporation, a subsidiary of Salomon Brothers, the international investment bank with assets of more than $60bn which claims to be the largest underwriter of mortgage finance in the world.

For the housebuyer and investor, the appeal of a mortgage with The Mortgage Corporation lies in its flexible interest rate on endowment mortgages, to be reviewed every three months in accordance with movements in the London Interbank Offered Rate (Libor).

Flexible review of mortgage rates in parallel with wider money market rates may be of general interest to the borrower who is fed up with the building societies' tendency to drag their feet when rates begin to fall.

But there is another, important reason for the appeal of such new entrants to the mortgage market. At the launch of The Mortgage Corporation's entry into the market, Mr Hugh Freedberg, its chief executive, said he believed a fundamental change of attitude had occurred . . . "It's now the customer who is king," he said.

Direct appeal to the customer through advertising, particularly by the foreign banks, has helped to make consumers more aware of organisations which are willing to lend a greater portion of the purchase price—up to 95 per cent, in some cases.

But old habits die hard, and consumers in the UK may only just be beginning to exercise their right to shop around and choose the best offer available to them.

Building societies have undoubtedly learnt from the competition. Early this year, the largest societies removed the differential rates of interest on endowment mortgages, and then lowered the mortgage rate still further after the recent cuts in base rates.

There have been moves, too, to hold on to savers' funds with high-interest, instant - access accounts to counter the threat from the banks. No longer is it assumed that you deposit your pennies monthly into an account with the same building society with which you happen to have your mortgage.

By the end of last year, only around a quarter of savings placed with building societies remained in ordinary share accounts. As penalties for early withdrawal of funds have been phased out, prime accounts have been drawing the bulk of investors' funds in building societies.

Last month saw the flow of savings into building societies ease slightly, but this was mainly as a result of the final payment due from investors for their British Telecom shares. The underlying position remained strong, with total receipts in the month of $4.941bn.

The strength of the building societies in the savings market is dominated by the Halifax, Britain's largest building society, which normally expects to draw in about 20 per cent of cash flowing into society accounts.

The Halifax has also led the way among building societies in the field of automated teller machines (ATMs) which allow easy access to your savings out of normal working hours. It plans a further 100 ATMs for its innovative Cardcash account in 1986, which will bring the total to over 450 nationwide.

By providing a bill payment facility, Cardcash essentially offers a simple money management service an option that has increasing popular appeal if one judges by the flurry of money market accounts now on offer by the banks.

High-interest cheque accounts offered by the banks typically require high initial deposits of £2,000 or more, with interest rates that rise as the balance improves. While the rates on offer are extremely competitive, the high balance requirement may not appeal to the average investor.

Furthermore, they tend to require high minimum transactions on cheques of as much as £250. Investors may find that the service they receive on money market accounts bears an uncomfortable close correlation to the amount they have invested.

The clearing banks may offer more flexibility with their money market accounts if you are expecting to receive funds in currencies other than sterling. Citibank, for example, can only credit sterling transfers into its money market account.

Whether you have small or large amounts to invest, it is worth shopping around for the best bargain. Some of the smaller building societies offer extremely competitive rates, and are often slower than the large societies in cutting their rates.

The post-budget slide in interest rates has made the overall picture of what is on offer confusing. Anyone who wishes to follow building society rates closely must make certain he or she reads the small print and makes note of hidden drawbacks, such as the number of withdrawals permitted in a year.

Those whose surplus funds were safely tucked away into gilt-edged securities months ago can rest assured in the knowledge that by the time they are next looking for an instant-access facility for their savings, the market should have improved further.

While the role of the smaller private investor in Britain may not yet quite be that of king, it is well on its way to shedding that of poor relation in favour of something more powerful.

Dina Thomson

Early retirement and redundancy

Reflections before decisions

"WHEN PEOPLE take early retirement or are made redundant they undergo more than just a change in life style and financial circumstances," says one personal investment manager.

"They undergo the financial menopause and very few people are equipped to cope with it."

For most people the lump sum they accept on early retirement or redundancy is the largest sum of money they will ever receive: and for most people deciding how to invest that lump sum—their financial lifeline—is at best daunting.

"The most sensible advice is to wait before taking any investment decisions," says Brian Tora, head of business development at stockbrokers James Capel.

"They should take a long, hard look at the way they will lead their lives after retirement or redundancy, for people often have very unrealistic ideas about how much money they need to survive.

"The real fall in living standards after leaving work is often substantial and not easily borne."

Whether receiving a hefty lump sum on redundancy or a combination of a smaller sum and an annual pension on early retirement, the criteria for formulating decisions as to how to invest the money are the same:

● Will the lump sum be the chief source of income?
● If so, how much money will be left to invest for capital growth?
● If not, will the investor need a supplement to income either immediately or in the future?
● Is the capital growth sum large enough to merit direct investment in equities? Most brokers recommend a minimum £75,000 to produce a balanced portfolio.

However daunting the investment decisions may be, there is no shortage of "experts" and "quasi-experts" prepared to offer advice.

All the clearing banks offer personal investment services. While most of the major brokers reserve direct investment for investors with more than £75,000, their private client departments provide managed services for smaller sums; and there is a whole sub-industry of personal financial consultants and fund managers with private client departments.

The sums handled by these services and the fees they charge vary widely. Banks and personal financial consultancies tend to favour fees. Stockbrokers stick to standard Stock Exchange commission, although many are considering the introduction of fees after the "Big Bang" later this year.

To illustrate the type of investment package that might be assembled for an early retirer, the Financial Times asked stockbrokers Phillips and Drew and James Capel, the financial consultancy Mercer-Grant Simmons, and the National Westminster and Lloyds banks to suggest suitable portfolios for a man of 55 who takes early retirement from a salary of £40,000.

Having worked for just 30 of his 40 pension-contributing years his lump sum and annual pension will be downgraded accordingly. Thus he will receive a lump sum of £45,000, which represents 75 per cent of a multiple of one and a half times his annual salary, and a pension of £19,800, or 75 per cent of two-thirds of his salary.

The early retirer has a dependent wife, but his children are now self-sufficient. He has a small, residual mortgage and negligible investments in equities. Thus his pension of £19,800 should be more than enough to live on, with the occasional injection of supplementary capital from the lump-sum investment.

Phillips and Drew suggests its strategic management service, which would devise and manage a portfolio of gilts, unit trust and investment trusts.

If the early retirer needs to increase his income he should look towards fixed and fluid interest income investments. At a time of low interest rates this would include fixed interest investments such as gilts or corporate bonds.

In a period of high interest rates it would opt for high interest accounts in a bank, or even a building society, although the capital would transfer to gilts as soon as interest rates fell.

The strategic management service is available to anyone with more than £15,000 to invest. Personal investment services are reserved for a minimum of £75,000. Phillips and Drew charges standard Stock Exchange commission, but may introduce a fee after deregulation.

James Capel implements a standard investment policy determined by the sums of money involved, but which can be adapted to suit the needs of the individual investor.

Sums of between £500 and £20,000 are invested in the brokers' own unit trusts; £20,000 to £50,000 in a managed portfolio of unit trusts; £50,000 to £100,000 in direct investment in gilts and equities, although international investment would opt for unit trusts. More than £100,000 would produce an individually tailored "open" portfolio.

James Capel charges a fee of £48 a year plus Stock Exchange commission. The system of payment is likely to change after deregulation, although the amounts involved will be broadly similar.

Mercer-Grant Simmons would channel most of the money into unit trusts—opting for standard, income trusts rather than the more enterprising Far Eastern formats, with the rest divided between National Savings certificates and low-coupon gilts.

Its service is available to anyone with more than £20,000 to invest. Mercer-Grant Simmons will discuss the investors' financial needs, map out an investment plan and manage it for a fee, between £300 and £400 in this instance.

National Westminster Bank would devise a managed portfolio of gilts, UK equities and overseas units trusts through its investment management agreement. This would combine capital growth through equities and long-term yield, as an income supplement, through gilts.

The investment management agreement is suitable for investors with a minimum of £25,000 and costs 80p for every £100 invested each year, although the charges are negotiable for investors with more than £100,000.

Lloyds Bank prepared a three-tier investment package with £5,000 invested in National Savings or a building society, £20,000 in income units trusts, and the remaining £20,000 in a portfolio of equities with unit trusts for international cover.

The Lloyds asset management service constructs investment portfolios such as this for investors with at least £25,000 and charges a fee of £25 a quarter.

Had our early retirer been made redundant and received a lump sum of £100,000 the suggested investment packages would have been much the same, with £50,000 or so invested to generate income and the remainder channelled into a portfolio of UK equities and international unit trusts.

Alice Rawsthorn

·WEEKEND FT REPORT 3·

Pensions

Bigger role for the salesman

THE SOCIAL Security Bill, now in the final stages of the Standing Committee, opens up a whole new vista for employees in their pension provision.

Instead of leaving everything to the state or to their employer, employees are now becoming very much involved if they want to ensure a decent income in retirement.

The Bill starts by severely curtailing the benefits provided by the State Earnings-Related Pension Scheme (Serps). If an employee was relying on Serps for his pension then he or she will be sadly disillusioned if they retire in the next century. The benefits will be minimal.

If employees are relying on their employer, then in spite of all the recent changes they will still lose out on final salary company schemes when they change jobs.

The answer to these problems lies in the other main proposal of the Bill — the introduction of personal pensions. Under this new system, employees as from April 1988, will be able to come out of their company scheme and/or Serps and make their own pension arrangements.

Personal pensions will be marketed by a variety of financial institutions, including life companies, unit trusts and banks, with building societies being permitted a limited involvement in conjunction with another institution.

The self-employed have been living with such a situation for three decades. The pension they receive from the state is limited to the basic flat rate pension with no Serps entitlement. They have had to make their own arrangement with a pension policy from a life company.

Personal pensions will be modelled on the self-employed pension contract in many respects. They will operate as money purchase arrangements, that is the employee invests his contributions into tax exempt funds and the accumulated cash sum used to buy a pension. The employee will be able to commute part of the pension earned by contributions above the minimum for a tax-free lump sum.

Employees thus face the question as to the method of providing for their pension. Do they stay with the company or the state, or do they do their own thing?

This problem now arises for employees who change jobs. Under the 1985 Social Security Act they now have the choice of leaving their accrued pension rights with their old employer's company scheme in the form of a deferred pension or take those rights as a transfer payment which can be invested in the new employer's scheme (if any) or in a buy-out annuity from a life company.

Already one major problem has emerged for employees. How do they compare the benefits on an earnings-based company scheme with a money purchase pension contract?

The pension on a money purchase plan depends on a number of imponderables—the investment return up to retirement and annuity rates at retirement.

Life companies are now providing estimates of expected pension on buy-out annuities based on very high investment returns, assuming that buoyant investment conditions will continue for many years.

The result is the quotation shows astronomically high money figures with no attempt to relate the value in real terms. Under current conditions of high investment returns and low inflation, the money purchase pension scheme beats the final salary scheme hands down.

Under a final salary scheme, where the pension is fixed in terms of an employee's final salary, the employer carries the investment risk and pockets the current favourable investment conditions. But it is not certain that this will always be the case. It was only just over ten years ago that inflation rates were far higher than investment returns.

Employees have to remember that with a personal pension plan they will carry the investment risk — the nature of the risk depending very much on the type of contract.

Thus there is a need to ensure that quotations give a realistic picture of the benefits provided by the contract, with figures in real terms.

The Marketing of Investment Board Organising Committee (Miboc) is dealing with this problem. But it has not got to grips with how to compare personal pension quotations with benefits on final salary schemes.

This is something that Mr Norman Fowler, the Social Services Secretary and the Occupational Pensions Board will have to come to grips with.

The importance of quotations is highlighted by the next problem facing employees who have decided to take a personal pension — how much should they put into the plan. In this respect, personal pensions differ from self-employed pensions.

The self-employed can put what they like into their plan, subject to a life company minimum contribution and an Inland Revenue maximum. They can leave the amount fixed in money terms. They can reassess the amount periodically.

Employees under a personal pension plan will have to pay a minimum contribution fixed as a percentage of earnings. A quotation is needed to ascertain how much they should put in to ensure a decent pension without paying in too much that could be used for other purposes. Personal pensions are attractive to the younger employees who usually have other claims on their cash such as mortgage payments.

Next comes the choice of pension contract and type of investment. The self-employed already have a wide range of contracts offered by life companies from which to choose — with profit, unit-linked and deposit-type plans. Employees are being offered an even wider choice for their investment though they will have to buy the pension from a life company.

They can invest in unit trusts direct. They can invest in deposits with a bank. Part of their contributions can go into a building society, the rest going into another plan—from an institution with which the building society is linked.

The employee will need to ascertain the differences between the various types, the underlying risks, the possible rewards.

The self-employed have had this choice for decades, but at the end of the day the vast majority accept the advice their professional adviser, or that of the first life assurance salesman to approach them.

One feels that a similar situation will apply in the case of personal pensions. The salesman — whether independent or tied to one particular company —will be the dominant feature in the actions taken by employees.

Thus the moves to protect the investor under the Financial Services Bill are all important. The task for Mr Fowler and the Occupational Pensions Board is to ensure that they do protect employees on the pension field. If an individual loses his savings from bad advice it is a tragedy. If he loses his pension savings, it is an unmitigated disaster.

The moves by the Government could well make company pension schemes more conscious of the need to explain the benefits and advantages to employees, something that should have happened in any event. But one feels that many employers will leave the employees to make their own decisions and find their own advice whatever the consequences.

Eric Short

Inheritance Tax

Haunted by King Lear's spectre

THE BUDGET announcement that Capital Transfer Tax (CTT) was to be abolished and replaced by Inheritance Tax (IT) seems, at first glance, to make it easier to pass wealth on to the next generation. However, an examination of the detailed rules in the new Finance Bill suggests that such optimism may be misplaced. Taxpayers and their advisers, who had largely come to terms with CTT, are likely to find that IT poses a whole range of new and difficult problems.

The main benefit to taxpayers of the switch to Inheritance Tax is the abolition of tax on lifetime gifts provided that the donor survives for at least seven years. In theory, this means that IT, like the old Estate Duty, is an avoidable tax. In practice, however, very few people will be prepared to give all to their children and risk the fate of King Lear. The dilemma between giving more to children now and more to the Revenue later is likely to be resolved in the taxman's favour.

CTT, in the emasculated state to which it had been reduced before its abolition, allowed the wealthy to more or less dodge this dilemma. They could do so by taking advantage of commercially marketed arrangements involving the use of insurance policies. The effect of these so called "inheritance trusts" was to reduce the value of the donor's estate for CTT purposes while at the same time allowing him to retain an interest in the donated property.

This optimum solution is no longer available. Under the new system, if somebody gives away an asset but retains rights over it he will be treated as not having disposed of it at all. If he subsequently renounces his rights, the gift will take effect then; otherwise it will form part of his estate on death.

Inheritance trusts were clearly a prime target of this new "gifts with reservation" concept. Ironically, insurance industry experts believe that the actual wording of the Finance Bill has left several of these loopholes open. However, the strong probability must be that these gaps will be spotted and plugged before the Bill reaches the statute book.

The impact of "gifts with reservation" goes far beyond the scuttling of these artificial tax avoidance techniques. The gift of a house will be caught if the donor continues to live in it. Similarly, the owner of valuable chattels such as works of art or antiques will only be able to give them away by excluding himself from any future use or enjoyment of them.

For those seeking an escape route, the exceptions in the Bill are not very encouraging. The only one likely to be of widespread application is if the donor pays the donee a proper price for any future benefit, e.g. a market rent for occupation of a property.

Apart from the express exemptions, there is an intriguing omission from the Bill which, if it is not an error soon to be corrected, could provide considerable scope for tax planning. Donors cannot keep a benefit themselves but there is nothing in the Bill stopping them from benefiting their spouses.

Suppose a husband and wife each wish to make the same size gift with reservation to their daughter. If each gift reserves the benefit for the donor then both gifts will be ineffective from an IT point of view. But if the husband's gift makes a reservation in the wife's favour and vice versa then the IT hurdle should be overcome but the practical result will be exactly the same.

Having lost their inheritance trust business, the main challenge for the insurance companies will now be to devise suitable cover against the tax liability which will be triggered by the death of a donor within seven years of a gift.

This is a far from straightforward task. In particular, the cover needs to reflect the tapering relief which applies if the donor survives for more than three but less than seven years.

If the death occurs in the seventh year, tax is payable on the gift at only 20 per cent of the death rate. However, on death any gifts made in the previous seven years are taxed as the first slice of the estate. This will often produce the surprising result of making the tapering relief virtually if not entirely worthless.

Consider an individual with assets of £200,000 who makes a gift of £50,000. If he dies the day after making the gift, the £50,000 will be added back to his estate without any relief and the tax bill will be £49,300. If, on the other hand, he dies on the day before the seventh anniversary of the gift, tax on the gift will be reduced by four-fifths. But since the gift falls within the £71,000 nil rate band of the estate there is no tax payable on it and a saving of four-fifths of nil is nil. Exactly the same amount of tax will be payable as if he had died seven years minus two days earlier.

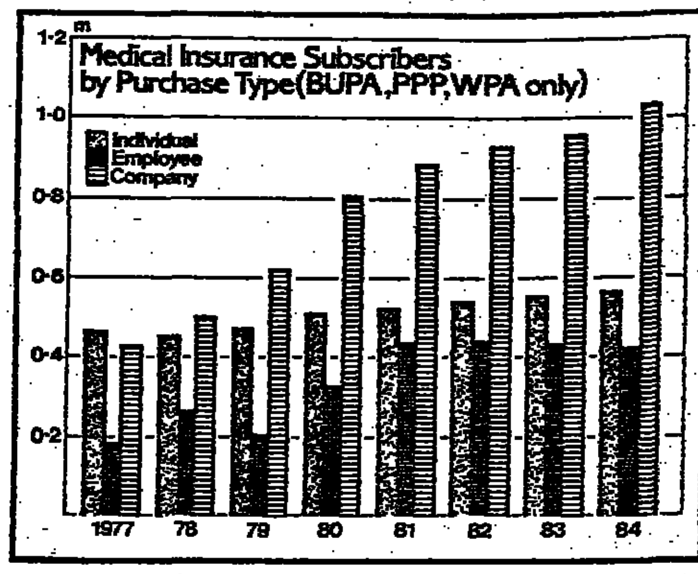
In view of these complexities and the likelihood of changes to the Bill, Mr John Howard, Technical Director of Imperial Trident, suggests that, for the time being, substantial donors can best retain flexibility by taking out a one year renewable convertible term assurance policy. Depending on developments, this can subsequently be converted into either a seven-year term or a whole life policy.

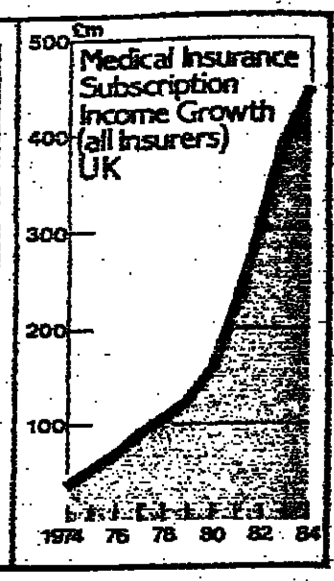
David Cohen

David Cohen is a solicitor and a partner in Nicholson, Graham & Jones.

Health Insurance

Big three dominate the market





ONLY 9 per cent of the UK population have private medical insurance and the purchase of such insurance remains concentrated among those with higher incomes.

For people who can afford it, private health care offers a release from the National Health Service, with greater freedom of choice, greater privacy and enhanced comfort.

These schemes can be expensive in terms of the benefits received, however. Many apply age limits beyond which one cannot join, which is a problem with private health insurance in general.

The social class ingredient in insurance cover is particularly striking, as pointed out by a report by the Office of Health Economics.

After the Conservatives came to power in 1979 the growth of private medicine accelerated amid the new emphasis on a free market. The incomes of those in the higher socio-economic groups also benefited and private health care saw a mini-boom.

The rapid insurance costs soon dampened that growth, however. In 1981 benefits paid reached 95 per cent of subscriptions earned for the three major provident schemes combined, and Bupa and other insurers responded by raising their premiums.

While growth has to some extent tailed off the commercial sector is now taking another hard look at the market. Leading US companies such as American Medical International (AMI) are offering private medical facilities throughout the country.

For the private individual health insurance can amount to a substantial investment. Although the onus to provide health insurance is commonly thought to fall on the employer, in reality only about 30 per cent of all medical insurance policies are wholly paid for by employers, with another 15 per cent partly paid.

Often the insured person also has to pay to have cover extended to his or her family. If you decide to opt out of the NHS it is worth taking a close look at the various policies on offer.

Britain's three major provident associations—Bupa, PPP and WPA—still hold more than 90 per cent of the business. But the "for-profits" sector is growing rapidly, and attracting new entrants.

Early this year Mutual of Omaha, one of the world's largest insurance companies and based in Canada, announced the relaunch of its private medical insurance business in the UK.

After being represented in the UK private market for some years, Mutual decided to launch a new assault, with an investment of about $80m over five years.

On its launch, Mr Derry Andrews, managing director of Mutual of Omaha UK, said that within five years he intended to displace PPP as the second biggest health insurer in Britain and be a strong competitor to Bupa, the largest.

Mutual's health plan Health First hopes to offer more flexibility in private insurance and expand the existing market. According to Mr Andrews, Mutual will be investigating benefits covering retirement, psychiatry, and dentistry, which are generally regarded by private medical insurers as posing special difficulties.

Hospital charges are set by the NHS on April 1 every year and private hospitals use those charges as a guide to setting their own, which are then taken into account by insurers when deciding on a premium. NHS pay-bed charges went up by just 4 per cent this year.

Comparison between charges is difficult and it is extremely important to read the small print, particularly where it applies to exclusions. As an example, however, Health First offers a package called Prompt Care Standard which, like PPP's Private Hospital Plan, pays the client £5,000 for hospital care if no NHS treatment is available within six weeks.

PPP's charge, which includes consultancy fees, for an adult up to the age of 29 is £8.95 a month. Health Care's package for the same adult, which excludes consultancy fees, costs £4.70 a month.

People considering investing in health insurance have a choice of approaching an insurance company directly or going through a broker. Brokers do offer discounts but one may well find that broker's commissions are built into the "reduced" subscription offer.

Direct debit payments, or payments by Access or Barclaycard, will often help to bring the costs down. In general, however, finding a way of cutting the cost can be time-consuming and tedious.

An alternative to the direct approach or using a broker is to go to a specialist consultant in medical insurance. Medisure is one such consultancy based in Bristol, which works mainly with employers but says its expertise can be used to help individuals to choose an insurance policy.

Mr Dudley Lusted, a director of Medisure, says: "As the market becomes progressively more complicated it is difficult for people to choose. We principally help employers to keep medical insurance costs down.

"For example, nurses are employed to talk to patients in advance of treatment so they can both understand and choose exactly what they want."

Consultancies such as Medisure are not primarily intended for the private investor, however. Private health insurance, including income protection from long-term disability, has the aura of necessity for many people, in particular the affluent who may even be adverse to thinking of "cutting costs" in this field.

Over-capacity of beds in the London area and the Home Counties, where the commercial developers have concentrated, has had no effect on rates. NHS pay-beds continue to be used alongside private beds however, at substantially lower charges (to your insurance company).

Most private health insurance schemes will not pay dental, optical or maternity benefits. Hospital cash plan schemes are one way of providing extra cash when one is in hospital but they are not intended to cover the cost of medical treatment.

These schemes, marketed by some 30 organisations, have traditionally been popular on the shop floor, especially among those with ideological aversions to private health care. Under a cash plan you pay a premium ranging from 30p to £1.20 a week that typically allows you to receive £20 for each night spent in hospital, with a top limit that varies from scheme to scheme.

Most of the medical cash plans pay maternity costs, unlike the private health insurers, and they can also pay other costs such as physiotherapy, home help and convalescence.

The largest operator in the field, Hospital Savings Association (HSA), will pay a hospital stay benefit of £12 a night up to a maximum of three months (91 nights) a year or £1,092 for an annual premium of £52.

According to the report, "23 per cent of all professional persons" had insurance cover, rising to 30 per cent for those aged 45-64, in 1982; but, only 2 per cent to 3 per cent of people classified as "skilled, semi-skilled or unskilled manual" had medical insurance.

Amidst a rise in the frequency of claims from the insured, charges continue to go up. While the cost of a ten-day stay in a pay bed at an NHS Hospital could be around £1,660, the cost of similar accommodation at a luxury commercial one could be around £3,500.

Competition in the market looks set to continue, with the commercial insurers, particularly the US-led one, increasingly experimenting with packages involving non-acute and long-term care.

Commercial providers such as AMI have been extremely critical of the provident associations for their unwillingness to move into fields such as alcohol treatment—which PPP excluded from cover late last year—and are determined to explore them.

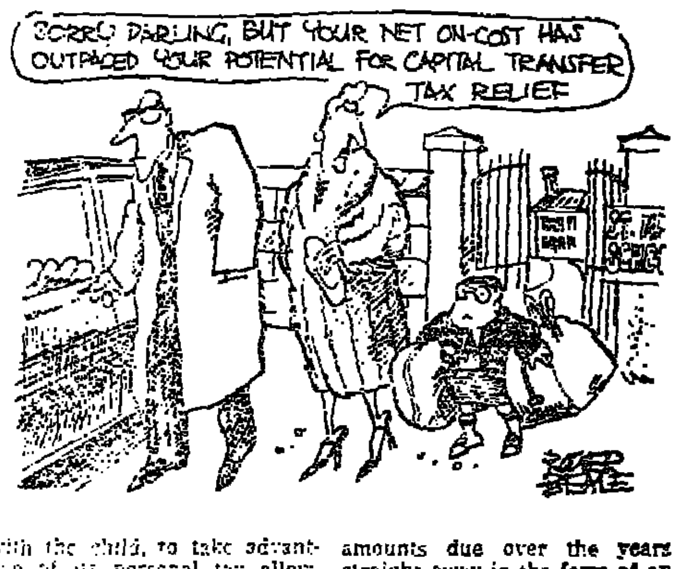
Companies such as Bupa argue, however, that extension of insurance cover into such areas will only push the premiums up and further limit the benefits to a smaller proportion of the population.

Dina Thomson

One of the twin-bedded rooms at the Humana Hospital, Wellington

School Fees

In at the birth for private education



SCHOOL FEES can be *one of* the most costly problems faced by families determined to give their children the education of their choice. It is all in the political melting pot. But it can be assumed that there will always be a *section* of the population wanting to give their children private education, either at home or abroad.

In spite of the present Government's benign, not to say *supportive*, attitude towards private education, this does not extend to any financial assistance or favourable tax treatment towards meeting *the* escalating cost of school fees. Parents have to accept that there are no special privileges available.

All they can rely on is the expert advice offered by several companies specialising in school *fee payment schemes* taking advantage, where possible, of the various normal tax concessions available.

First, and foremost, the earlier you start any school fees scheme the less painful it will be later on *since you* have a longer period to accumulate the necessary resources. If you are planning to send your *child to a fee-paying* school then you should start thinking about school fees almost immediately after the child is born.

There are two basic alternatives. One is contributing *towards the future school fees out of current income;* in which case there are a number of options.

The other is using a capital sum as the base for building up funds to pay school fees in the future.

Income-related contributions in reality are just another form *of savings scheme* aimed at *meeting a particular need* — the payment of school fees. The more you pay in, and the longer the period, the higher the amount eventually available *for the fees.* The extent of *your future liability is known* in advance, apart from the rate of inflation, so the scheme can be tailored accordingly to meet your expected needs and your *present and future financial* circumstances.

For example, C. Howard & Partners, one of the specialists in school fees planning, offer five different income-related schemes ranging from a *low start* plan, to *decreasing/* increasing cost, and fixed period and level cost plan.

All five plans use a similar formula. The contributions made are put into a spread of investments, concentrated in managed funds and with profit endowment life assurance policies. The variation in the plans comes with the level of contributions made and the benefits *achieved in meeting* all, or part, of the school fees required.

Longer-term savings plans are obviously the most efficient way of dealing with school fees. However, many parents either cannot afford to save any money, delay for too long, or only make up their minds at a late stage to use fee-paying schools if the state system *proves unsatisfactory or their* child fails to win that expected scholarship.

But all is not lost. Early last year the Independent Schools Information Service (ISIS) joined forces with National Westminster *Bank and insurance brokers, Clairmont Saville,* to help parents out with a special loan scheme. Standard Life later launched a similar plan in conjunction with the Bank of Scotland.

The general principle is that the parent takes out a loan facility which can be drawn on to meet the school fees when they become liable for payment. *Collateral* for the loan has to *be provided as security.* NatWest will lend up to 70 per cent of the valuation of a house—less any outstanding mortgage—and charge interest at a rate of 2.5 per cent *above base rate.*

Repayment of the capital part of the loan is covered by an endowment policy taken out to repay the total loan on maturity. The Bank of Scotland *offers* up to 80 per cent on the valuation of a property (again less mortgage outstanding) and charges interest at 2.25 per cent above its base rate.

Loan schemes are extremely expensive, involving payment of interest on the loan, plus the endowment policy premium, and various administrative charges. The net result is that the payments continue for a long time after all the *school fees* have been paid, but that is *the price to be paid for* borrowing large sums of money at short notice.

The School Fees Insurance Agency and other specialists also offer ways of spreading the cost of school fees beyond the time of leaving school. But the lesson is clear. The earlier the better, since it takes some time to build up the kind of capital required to meet the rising *cost of school fees.*

The alternative, and more efficient, method is by the use of a capital sum at the outset, which provides considerably more scope. *Here the basic strategy is to buy an annuity,* underwritten by one of the leading life assurance companies, to provide a guaranteed amount when required.

However it is not quite as simple as that. Simply buying an annuity would make you liable to pay income tax on the interest part of the payment, under a formula devised by the Inland Revenue, even though *the capital part* would be paid tax free. To overcome this tax *liability, the capital sum is instead paid into* a specially created trust with charitable status, which can make tax-free payments.

School Fees Insurance Agency has its own long established educational trust, with charitable status. So have Towry Law, and Save and *Prosper* and many *schools* operate their own schemes. The arrangement is that the capital sum is paid to the trustees, who invest it to provide the school fees when required.

SFIA offers two variations. One scheme (called guaranteed *annuity*) provides a level of fees decided at the outset and guaranteed throughout. As the title suggests this is achieved by purchasing an annuity from one of the leading life assurance companies, and using the proceeds to pay the school fees with a small element going to a recognised charity.

The investment annuity *scheme* has been specially designed to keep pace with the likely long term rise in school fees. The annuity is underwritten by the Sun Life Assurance Company and deemed to be invested *in the group's managed fund.* The amount available for fees, therefore, depends on the performance of the fund.

It has done very well over the past seven years, but this of course has been a boom period *on the stock markets and there* is no certainty this will last for ever. However at least four months before the first instalment of fees is due to be paid, the capital value of the annuity is fixed and is then no longer subject to fluctuations in the *stock market.*

Undoubtedly the best method *of all in paying school fees is by* deed of covenant, which provides considerable tax advantages. Unfortunately covenants to unmarried children under the age of 18 only qualify for *tax relief if made by someone other than the parents.*

They are, therefore, the best way for grandparents, godparents, friends or relations to help pay a child's school fees. Using a deed of covenant, for a minimum period of seven years, *means that the child as beneficiary* can use its tax free annual personal allowance (currently £2,335) to claim repayment of tax at the basic rate *of 29 per cent.*

Thus from a covenanted gift of, say £1,000 a year, the £290 deducted by the donor as tax relief can be reclaimed by the child and used to boost the *amount available for investment* back up to £1,000. Thus for the outlay of £710 the child actually receives £1,000, providing that its personal income does not *exceed the minimum allowance* of £2,335.

The covenant must be made with the *child,* to take advantage of its *personal tax allowance,* with the parent as trustee. The parent then uses the money given to invest on behalf of the child choosing one *of the many alternative schemes* available.

The great advantage is that in addition to the covenanted sum, the tax *recovered is also* available for investment on the child's behalf. Although the Deed of Covenant has to run for a minimum of seven years *to qualify for tax relief* it can be used at any stage to help pay school fees.

The tax-saving advantages of a deed of covenant and the investment advantages of a *capital sum contribution* can be *combined, however,* in a special scheme devised by SFIA, known as the Deposited Covenant plan. Under this *arrangement the donor makes a deed of covenant* in the normal way, but pays all the net amounts due over the years *straight away in the form of an* interest-free loan repayable over the period of the covenant.

The repayment of the loan cancels out the amount due to *be paid* under the deed of covenant each year so the donor does not have to pay any more than the original lump sum. But the benefits for the recipient are *considerable* enabling the money due under the deed of covenant to be invested immediately, while the tax recoverable on annual basis *is also invested* to help boost the total.

The minimum capital sum for a deposited covenant plan is £3,000, but for a normal deed of covenant the amount contri*buted can be however much the* fond grandparent or relation can afford comfortably. It can also be a useful way of using your capital transfer tax exemptions.

John Edwards

Investment Advisors

Growth areas for accountants

WOULD YOU ask a stockbroker's advice on a personal pension plan — or an accountant *for a recommendation of* which shares or unit trusts to buy? Should you expect guidance on inheritance tax from a clearing bank, or expertise on National Savings Certificates *from an insurance broker?*

A few years ago, the answers *to these questions* were reasonably clear. Stockbrokers knew about gilt-edged stocks, equities and unit trusts, insurance brokers and pension consultants *dealt with life assurance,* accountants advised companies, their senior executives and wealthy individuals about their tax affairs — and banks and solicitors acted as trustees *for* estates.

It was never of course quite that simple. But recent years have seen mounting competition between different professions and financial *institutions anxious to* attract individual clients in search of investment advice.

As a result, companies and professional firms which traditionally *limited themselves to* specialised fields have felt obliged to offer wide-ranging counselling services so that the investor in search of impartial, expert advice has a tougher choice *than ever.*

In the *last year, for instance,* the *London* stockbroking firm James Capel has taken on staff to advise clients on pensions and life assurance and almost all City and provincial brokers now claim to offer financial planning services *in addition* to their traditional advice on, and management of, share portfolios.

Similarly, the Midland Bank Trust Company last *September began offering* all bank customers a measure of free financial counselling. It has for some time made available to higher net-worth individuals advice ranging from *specific recommendations of* unit trusts to tax guidance for UK expatriates.

In 1985 Deloitte Haskins and Sells, a leading accountancy firm, set up a personal financial planning department to offer private clients *advice on retirement* planning, investment strategy and special situations such as underwriting membership of Lloyd's, advice it would before have *given mainly to* the *executives* of large companies for whom it performed audits.

"This is a growth area for accountants — we are not going to be left behind," says Mr Alan Kelly, a partner and head *of personal financial* planning at Grant Thornton, another leading firm.

Meanwhile, in the provinces, investment advice empires are being carved out by companies which fall outside traditional professional demarcations.

An example is the Huddersfield-based DBS Management, a company which over six years has built up a private client base of 10,000 serviced from 28 branches by advisors with mainly insurance broking backgrounds. Again, it aspires to offer tax *planning* advice and, via a *link with* L. Messel, the *stockbroker,* guidance on unit trusts.

This picture of increasing competition becomes still more intriguing in view of the *complex tie-ups between different* types of financial services company.

Hill Samuel, the merchant bank, is now part of the Hill Samuel group — which in turn controls Wood Mackenzie, the London and Edinburgh stockbroker, and Noble Lowndes, the pension and actuarial consultancy group with its own personal financial planning arm.

Some observers within the industry see that kind of tie-up *as a threat to impartial advice* because an advisor working for one company within a financial services group might be tempted to push products like unit trusts or offshore funds offered by *another of the group's subsidiaries.*

Others would argue that it adds to the resources of expertise at the disposal of advisors. Life assurance specialists at Noble Lowndes, for instance, have formed links *with stock market experts* at Wood Mackenzie.

For the investor threading a way through the maze, the first step is to go back to basics. Personal financial planning was defined by Thorton Baker's Mr Kelly *recently* as "*Finding the best ways* of utilising the financial facilities that exist in order to maximise personal wealth and minimise personal taxation."

With this in mind, a prospective seeker after investment advice has a right to *demand certain basic standards* of conduct and competance from an advisor. He has this right firstly because his democratically elected representatives in Parliament say so. Through the Financial Services Bill, the most far-reaching reform of investor protection since the Second World War, which is expected to become law later this year. It lays down fundamental principles *which investment advisors must observe.*

Investment advisors will have *to seek* authorisation via industry organisations acting in accordance with the Bill. If they do business without authorisation they will be liable to a prison sentence *of up to two years.*

Advisors will risk losing their authorisation if they contravene conduct of business rules laid down via the *self-regulatory organisation to which they belong* — rules which, for instance, may well oblige life insurance salesmen to disclose the commissions running into hundreds of pounds which *they* receive on the sale *of each* policy.

Secondly, the investor has a right to basic standards of advice because of the high price he pays for it. Tax planning advice from a chartered accountant, *for instance, might* set him back £125 to £170 an hour. A merchant bank investment management department may charge a £750 annual fee for managing a share *portfolio of £100,000 — and that does not* include stockbroker's commissions on individual transactions.

What, then are the standards investors are *entitled* to expect — the standards implicit in Mr Kelly's *definition* of *personal financial planning?* And how does he or she go about checking whether a particular advisor offers them?

First, a good advisor is one who asks the right questions. According to the Consumer Association, an advisor who aims to do the best for his *client will ask for certain items of information* "as a *minimum.*"

Second, a good advisor will make *clear to the client how he is remunerated for giving* advice.

Third, a good advisor will not hesitate to send a client on his way if he cannot see a genuine need for the kind of specialised advice he has to offer.

Nick Bunker

House purchase

Scramble to offer loans

HOME MORTGAGES have become increasingly competitive: and not just from UK banks and the more traditional building societies. Financial institutions all over the world, including primarily Japan, the US, Canada and Kuwait, are jostling to offer loans to house buyers.

The attractions of the expanding £120bn home mortgage market are many and diverse. Insitutions are guaranteed a good return on the investment—sometimes 10 to 15 times their usual return on investments—with a low risk. Comparatively few borrowers default and few foreclosures are made, while it also gives the institutions an entrée into offering other financial services.

The short-term effects of this upsurge in business will benefit the clients. Queues shorten as increased competition reduces the cost and complication of obtaining a mortgage. The established lenders are coming under increasing pressure to improve their operations, and after the Big Bang in the City later this year, more changes will need to be put into effect.

But, as in any market where supply outstrips demand, there is likely to be a shakedown. Sooner or later some lenders will depart and rules and guidelines must be established to accommodate such an eventuality.

At the same time, however, the domestic lenders will have to adopt new attitudes and practices. It took a foreign institution, the United Bank of Kuwait, to step outside the accepted lending parameters and cut its interest rate differential on endowment mortgages before other UK lenders followed suit.

Borrowers should remember that overseas banks and investment groups might not feel the same obligation as the UK lenders.

As US institutions refer to it, the "securitisation" of home mortgages — packaging them into securities and selling them, worldwide — gives the foreign investor a way of building up sterling exposure in a secure and profitable market and provides the borrower with a greater abundance of funds.

But these larger institutions are concerned with returns: once they are not making a profit there is nothing to stop them from withdrawing from the market by pushing interest rates up, thus making repayment prohibitive or impossible, or by foreclosing on the borrower.

Large-scale securitisation began last September when the National Home Loans Corporation began buying home mortgages from local authorities and insurance companies and selling them on, mostly to banks. So far the corporation has netted itself about £5m.

The Bank of Scotland has been packaging its own mortgages for the past two years and selling them on to foreign banks, raising £300m in the process.

The most recent entry into the market was by Salomon Brothers, the Wall Street investment bank with assets of $80bn which claims to be the world's largest mortgage underwriter. Under the banner of The Mortgage Corporation, Salomon Brothers is offering a low-cost endowment mortgage linked to the London Interbank Offered Rate (Libor). Insurance is available through Sun Alliance or Royal Insurance.

The corporation, offering loans to homebuyers in England and Wales, is spending £3m to attract borrowers and aims to lend and "securitise" about £500m this year.

The United Bank of Kuwait, an innovative lender which made its mark in the UK market earlier this year, offers a similar mortgage in that its interest rate is also linked to Libor (the key benchmark determined by the money markets) for three-month deposit plus 0.575 per cent.

The new style Libor-linked loan has come under considerable criticism, however, as some borrowers grapple with the complex workings of the City money markets.

Repayments under the Libor loan scheme may appear high initially, but as the rate is fixed for a three-month period only, considerable fluctuations can occur. It is also a useful benchmark during periods of low interest rates but it could rise substantially when rates shoot up.

Among the most competitive of the financial institutions is Security Pacific. The Canadian Imperial Bank of Commerce offers both repayment and endowment mortgages with a ½ per cent discount for the first year of loans taken out between now and July 14.

The borrowing limit is based on three times the salary of the primary buyer and once the salary of the secondary buyer on a minimum of £25,000 and up to 95 per cent the value of the property.

Citibank, which offers mortgages in the hope of attracting clients to its other financial services, charges a rate lower than most building societies because of the method of calculating interest.

Another US contender in the market is Chase Manhattan which offers a competitive rate and markets its policies through brokers and three insurance companies.

UK building societies and banks all offer similar packages. Some give "certificates" at the beginning of the homebuying process so that prospective borrowers know how much they have to spend while some give reduced rates on legal fees.

But for many people the choice is not so much who but what. There has always been a debate between endowment and repayment mortgages and now it seems that pension policies are making great inroads as well.

With interest rates falling lenders are keen to acquire the commission on life insurance policies which could be as high as half the first year's premiums—perhaps around £200-£400. At present, therefore, institutions are promoting the endowment mortgage.

If you are a high-rate taxpayer, endowment mortgages are the best route to take. The monthly instalments are made up solely of interest repayments, which attract tax relief and a life insurance premium. At the end of the policy's life, the capital is cleared from the proceeds of this insurance plan.

There is also the almost certain probability of a lump sum being paid at this point to the borrower.

If you are a first-time buyer, these mortgages might not be as attractive as they tend to be more expensive, with monthly repayments about £20-£30 or more higher than those of the annuity mortgage.

Annuity or repayment mortgages clear capital and interest at the same time and were increasingly sought after tax relief on life premiums was ruled out in the 1984 budget.

Endowment mortgages were then around ¼ per cent to 1 per cent more expensive, but since most institutions recently elected to charge the same rate for both types of mortgages, the pendulum has increasingly swung back towards the endowment type policy, which now accounts for about 55 per cent of total building society lending.

For the self-employed a more efficient scheme is to link the mortgage policy to a pension plan. One only repays interest until one retires at around 60 and then the mortgage is repaid from the cash commutation sum available on the pension contract.

Life cover is necessary during the term of the mortgage and the house itself is used as collateral.

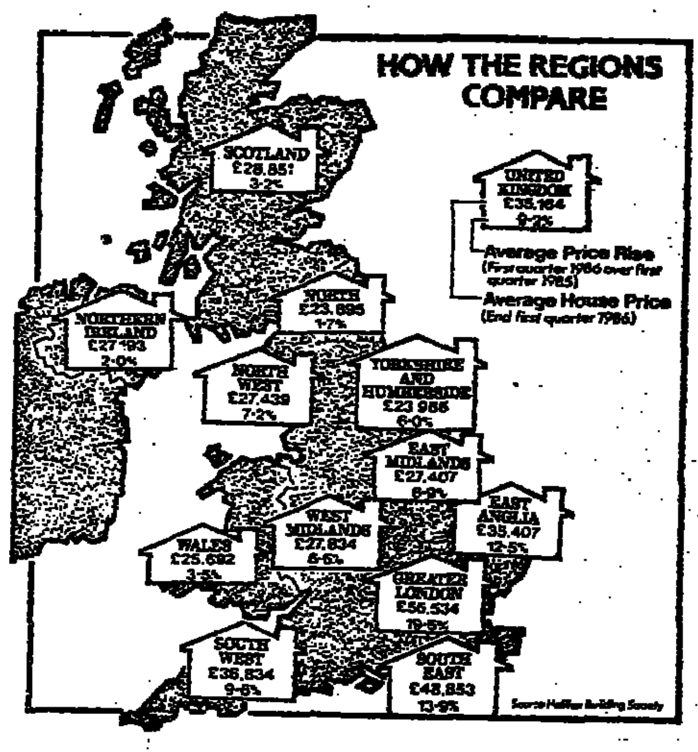
The disadvantage of this arrangement, however, is that for a person who retires early the tax-free lump sum may not be sufficient to pay off the loan and they may have to take out an ordinary repayment or endowment mortgage to cover the shortfall.

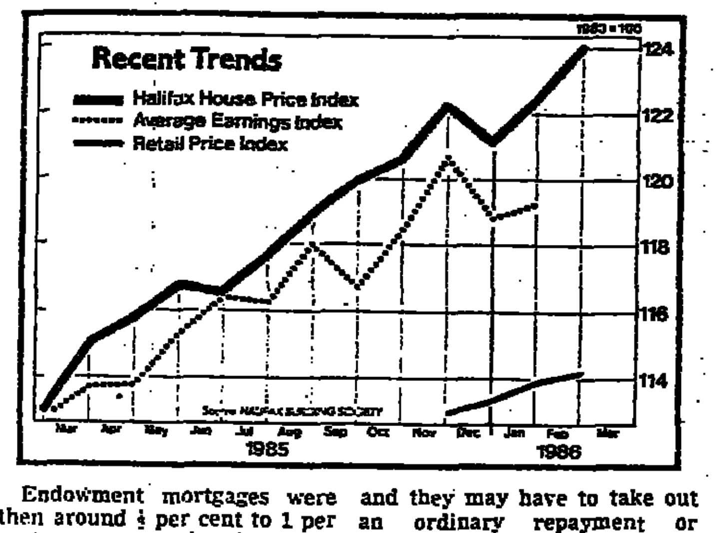
Also, if they should take a job with a pension scheme, payments to the mortgage-linked pension plan would have to stop.

However, the Social Securities Bill will lift restrictions on pension schemes in 1988 and people will be free to make their own personal pension plans which they can take with them from company to company.

Whatever changes happen within the mortgage market over the coming months it seems certain that borrowers will continue to be better served provided they use the services of a company which is likely to stay active in the growing mortgage sector.

Perrie Croshaw





House prices

Further boost expected

ONE OF THE first signs of spring is the swarming of house hunters, closely followed by higher house prices. This year is proving no exception. In spite of the coldest April on record, buyers are taking advantage of rising incomes, continued confidence in the economy and the record amounts of money being poured into mortgages.

In addition the latest round of reductions in interest rates charged by an ever-increasing range of operators in the field of mortgages, should give a further kick to average prices. These were already rising steeply when the building societies and estate agents did their audit for the first three months of 1986.

The Halifax calculated a 9.7 per cent increase in the price of the average house compared with the first quarter of last year and predicts a 10 per cent rise for 1986. The Incorporated Society of Valuers and Auctioneers reported a 10.3 per cent current rate of increase and expects this to climb as high as 12 per cent for the whole of this year.

Such prospects please the average owner and, as houses and flats tend to be thought of as investment assets as much as homes, a superficial glance at the averages appears to show those assets are appreciating at something like twice the rate of inflation.

Not all these assets are performing as well, however. The North-South divide in the UK becomes wider each year, with latest figures from the Halifax showing a 19.5 per cent annual increase in London prices compared with 1.7 per cent in the North. Outside the South-east only the East Midlands, East Anglia and Wales matched the average price rise for the UK as a whole between 1980 and 1985, according to the Building Societies Association. In the first three months of this year however, Wales did not come out so well: average prices fell, as they did in Scotland.

On the other hand, some prices soar over the averages, such as the 13 per cent increase in UK terrace house prices quoted by the ISVA and the 33 per cent rise in the average price of new homes in Greater London calculated by the Nationwide Building Society.

All these guides to performance have to be set against the cost of borrowing, however. Prices do not have to rise by the current interest rates charged for mortgages because tax relief cuts the real cost for the first £30,000 of a loan by up to the maximum rate of deductions. Inflation also eats away at the burden of debt, but obviously in some parts of the country prices are not rising fast enough to cross even this lower boundary of benefit.

There is also an underlying decline in the importance of these benefits. The housing booms of the early and late 1970s were partly fuelled by negative rates of interest, with

mortgage rates almost constantly below today's levels but inflation soaring. Real costs of borrowing today are at a record high because inflation is down around the 5 per cent mark and still falling.

Tax relief has also lost much of its influence because the limit has crept upwards to only £30,000, while the average price of a house today is more than £35,000 in the UK and more than £55,000 in London, according to the Halifax. This compares with £10,000 and £20,000 in the 1973 and 1979 booms.

The reason why prices keep rising in spite of these declining advantages is partly financial, partly physical and partly psychological.

● Prices have been shown in the long term to increase in proportion to average earnings, which is one reason why prices are highest in the south.

● High birth rates in the 1960s mean there is a lot of pressure for homes at a time when building figures are low, rented homes continue to wither away and council housing is being phased out. Builders argue that not enough land is being provided to meet demand.

● As long as people expect prices to rise they will keep bidding them up as a way of climbing on the gravy train.

How long this latest boom will last depends on how you forecast the changes in those three factors.

● Prices have tended to vary around three times average earnings in the last 30 years and the Nationwide shows that rises since 1984 have taken this ratio above 3.4, so there may not be much further to go—although it rose to more than 4 in the more favourable period of 1973.

● Population pressures will keep up demand for more homes, government figures predict that 2.3m more will be needed by the end of the century, with more than 40 per cent of the growth concentrated in the South-east. But the high level of demand is likely to fall away in the 1990s as we reach the limits of owner-occupation, as the surge for demand for single-person homes is satisfied and as the bulge of the 1960s babies and immigrants' children is passed.

Other factors may come into play, such as restriction of earning power, imposition of a property tax instead of rates and the general pricing of housing out of the reach of the remaining non-owners. On the other hand, if restrictions on land use remain, demand will remain unfulfilled and may spill over into the 1990s.

● If these threats reach down to the buyers, they could stop expecting prices to increase and therefore stop bidding them up. The fear, then is that houses will act like any other financial market and fall sharply. There is some evidence in the US and West Germany of declining prices (and closer to home in the devastated economies of the provinces).

Adding these uncertainties the rising tide of repossessions for mortgage defaults, and the increasing problems of defects in the ageing housing stock and the new system-built homes, shows that this form of investment carries risks as well as rewards.

David Lawson

Roy Hattersley, Shadow Chancellor of the Exchequer: Labour's plan is to avoid niggling currency restrictions on holidaymakers

Overseas investment

Labour's carrot and stick policy

SINCE 1979, when exchange controls were abolished, British investors have rushed to put their money overseas. Financial institutions have doubled the proportion of their portfolios invested abroad to more than 15 per cent.

While the investment results have been good—total real returns of around 15 per cent in 1981 to 1984, according to Bank of England estimates, compared to around 12 per cent returns for foreigners investing in the UK—the outflow of funds has attracted criticism from those who argue that investment in Britain would have been a more fruitful way of using the profits from North Sea oil to bring down unemployment.

The Labour Party has announced plans to reintroduce a form of exchange controls if it takes power at the next general election. By a combination of carrot and stick, it hopes to win a large part of this overseas investment back to the UK.

Mr Roy Hattersley, deputy leader of the Labour Party and shadow Chancellor of the Exchequer, outlines the proposals like this: "We will say to pension funds, unit trusts, insurance companies: 'You can if you wish become a registered investment institution. To do so you have to invest your money up to a specified proportion in the UK. If you go above the stipulated figure for investment outside the UK, you are no longer a registered investment institution and don't enjoy its associated fiscal privileges.'"

The precise proportion that may be invested abroad would be set with the ultimate aim of returning financial institutions' overseas portfolios to the same sort of percentage of their overall funds as they stood at before the abolition of exchange controls, and this could mean the repatriation of £30bn to £40bn. However, Mr Hattersley said that the proportion would be adjusted to ensure that sterling did not move above a sensible trading level as a result of the flow of funds back into the UK.

The beauty of the scheme from the point of view of the Labour Party is that it avoids imposing niggling currency restrictions on holidaymakers and travellers, and at the same time avoids provoking a flood of capital away from the UK in the run-up to an election as investors rush to forestall the exchange control measures.

For the individual investor, the option would remain open of investing through an offshore fund. This option, however, has already been made hazardous by the present Government's measures to clamp down on offshore "roll-up" funds.

These measures were originally aimed at cash deposit funds which did not pay out the interest they received as dividends, which would be liable to income tax at up to 60 per cent, but rolled up so the investor could take it in the form of a capital gain.

For the many investors who do not use up their annual Capital Gains Tax exemption this would be free of tax, while even those who did attract a liability would only have to pay CGT at 30 per cent.

The new regulations say that all gains in an offshore fund are liable to income tax for UK residents, unless the fund receives "distributor status" by proving each year that it has handed out at least 85 per cent of its income in dividends. If it receives this status, true capital gains will then only be liable to CGT.

Many offshore investment managers have found, however, that the regulations carry all too many pitfalls for the unwary. Some funds specialising in Australian invesment, for instance, have been tripped up because they invested more than 10 per cent of their portfolio in a single company.

This rule was designed to catch out funds that sidestepped the law by investing through a sub-fund, which itself acted as an old-fashioned roll-up fund. But it causes problems in a fairly small stock market like Australia's, where a single company like BHP can constitute a significant proportion of the entire market capitalisation.

A similar rule also tripped up Robeco, the Dutch investment company which claims to be the largest mutual fund outside the US. UK investors were estimated to have between £25m and £50m in Robeco and its sister fund Rolinco, which both distribute their income in the form of dividends. Their capital gain in the fund will be liable to income tax, however, because Robeco owns 25 per cent of a company which operates its branch office in Switzerland.

Between 20 and 30 other funds are also worried that they could lose their distributor status because the Inland Revenue decides that they turn over their investments too quickly. This could be deemed to constitute "trading" in shares rather than genuine investment. This fear could hamper investment managers in fast moving stockmarkets like Japan.

None of this will deter the determined investor who has seen the returns that can be had overseas—if you are lucky and if your investment gains are not undone by a slide in the currency of the country in which you are investing. This happened to investors in the US last year, where the stock market — measured by the Standard & Poors Composite index gained 31.7 per cent in dollar terms, but only 5.6 per cent for the sterling investor.

Overseas investments can be protected against currency losses through the use of hedging instruments

Currency options provide a better form of insurance.

George Graham

Self-employed

Keeping on the right side of tax rules

RISING UNEMPLOYMENT has become an entrenched characteristic of the 1980s in every sector but one: the self-employed. The number of self-employed has grown from 1.9m in 1979 to 2.6m today. Approximately one in ten of Britain's workforce is now going it alone.

The Government has adopted an enthusiastic attitude towards the self-employed, embodying as they do the spirit of hard work and private sector initiative that is close to Mrs Thatcher's heart. But the enthusiasm is not shared in practice by the Inland Revenue.

As a senior tax specialist with Coopers & Lybrand puts it: "The Revenue regards self-employment as part of the black economy. They want as many people as possible taxed at source."

So the first problem for the self-employed is to keep, and maintain, their designation. This has become increasingly difficult for those who, for example, provide the bulk of their services to one company. They may find themselves classified, or re-classified, by the Inland Revenue as PAYE employees, thus losing their Schedule D tax rating and the special tax opportunities that self employment offers.

What are these? Broadly speaking, there are two areas in which the tax rules may benefit the self-employed. One is the opportunity to defer payment of taxes. The second is the ability to offset expenses against tax to a greater degree than is possible for an employee.

First, deferral. Tax for the self-employed is assessed on the profits of the preceding year, and (depending when the accounts are drawn up) payment of the first chunk of tax may be deferred for anything up to 20 months. If accounts were drawn up on April 30 this year, tax for 1985-86 will not be due until January and July 1988.

For a trader showing rising profits, this can mean extra cash in hand for a considerable period of time. However, if profits dip, and in trades where bad years may follow good, the advantage can turn to disadvantage.

It is also reduced, of course, if a trader's clients put off their own payments to him for long periods. Only farmers are in the privileged position of being able to pay tax on the average profits of two successive years.

Second, expenses. These must be "wholly and exclusively" for the business if they are to be set against tax. If the family car or a room in the family house is used partially for business purposes, a proportion of petrol and running costs may also be deducted.

Advertising, travel costs, subscription to a professional organisation and business equipment are among the items generally allowed against expenses. Proportions to be allotted to private and business use must be agreed with the tax inspector, and it is here that the discretion of the Inland Revenue can have most effect. Unfortunately, accountants report increasing severity towards expenses by the IR.

Special pension arrangements provide another area for reducing tax. Up to 17½ per cent of profits may be set aside tax free for a pension or pension mortgage scheme.

A number of tax arrangements for the first years of trading may also bring advantages. Unless the trader decides otherwise, the first three years of trading are assessed on the profits of the first year. Only then does assessment change to the "prior year" profit basis. Logic dictates that the lower the profits can be kept in the first year, the greater the tax saving in the subsequent two years.

To offset further the difficulties of the early years, losses made during the first four years of trading may be set against tax paid during the three years before starting up. Self-employed married men may also cut down the family tax bill by introducing their non-working wives into the business, giving the family a second tax-free personal allowance.

At the other end of the time-scale, the trader who wants to sell his business on retirement at 60 (or earlier if ill-health dictates) will pay no capital gains tax on the first £100,000.

National Insurance contributions are another area in which the self-employed pay a little less than the employed. A flat fee of £3.50 a week is topped up with 6.3 per cent of profits. However, benefits paid to the self-employed are also less. They are not entitled to redundancy pay, unemployment benefit or pension supplement.

Successful traders who find themselves paying tax well above the basic rate may find it worthwhile to become incorporated. Although this means higher costs in terms of auditors' fees and other legal requirements, they will then pay corporation tax at 29 per cent on the first £100,000 profits. This option is not open to members of professional organisations.

Inland Revenue records suggest that few high earning traders remain unincorporated. Latest available figures show that 91 per cent of self-employed taxpayers are either in the lowest tax bracket, or zero rated.

Are the tax advantages on offer to the self-employed enough to balance the risks, particularly in the early years? The Federation for Self-Employed and Small Businesses think not.

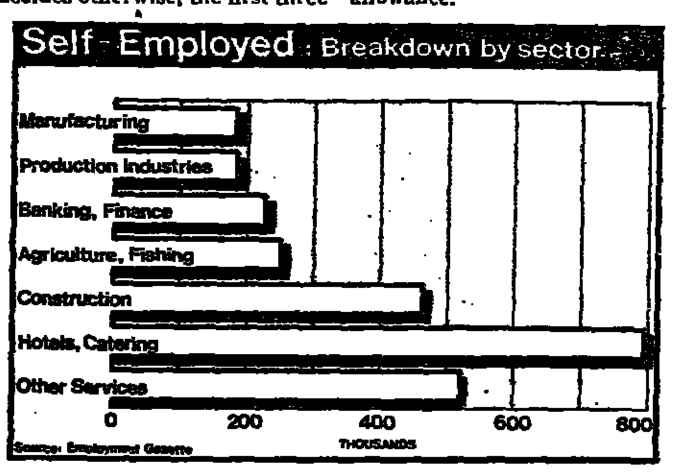
"The self-employed man often pledges his house and his family's future on the business," says Mr Tony Miller, chairman of the federation's tax committee. "He works 55 hours a week and runs a high risk of failure. He has a large overdraft and can't afford to join a pension scheme."

The federation is currently lobbying for a number of measures to improve tax benefits, including a change in the rules to allow part of a self-employed trader's profits to be ploughed back into the business tax free.

Meanwhile, the main elements of a broad strategy for the self-employed are clear.

- To arrange their affairs so that as little of their income as possible can be brought within the PAYE net.
- To maximise expenses in order to minimise taxable profits.
- To take full advantage of pension scheme arrangements where financially possible.
- To consider the possibility of turning the business into a limited company, but to weigh carefully the disadvantages.
- To arrange year-end accounts at the most advantageous time possible.

Kate Finch



WEEKEND FT

Private View

It's the Mitty gritty

THE FT'S foreign editor, tall, 39, balding, has completed two Marathons in London this year. His preparation was unobsessive. For a year he pelted discreetly around Kensington Gardens before breakfast, listening to the World Service. Once fit, he loped at weekends down the Thames towpath for drinks with a beautiful friend in Richmond, and thus put in the right mileage.

His first performances was in the Walter Mittython, set in London, but run mainly in the bath or along boring stretches of motorway. He does not remember much about the first half, when he was biding his time, staying loose and fresh, and ticking off a mile every eight minutes.

But after about an hour and three-quarters, with Tower Bridge behind him, he gradually began to reel the opposition in. It hurt a little: sure. But by picking off gasping club runners one by one, with their serious vests and narrow northern shoulders, he kept going, through the docks, over the famous Wall at 18 miles and on into the broad, smooth avenues beyond Trafalgar Square.

He breasted the tape on Westminster Bridge after 3 hrs 20 minutes. He was, of course, absolutely bushed, but not too bushed to grace the champagne lunch thrown by Mars at the Royal Festival Hall.

So, in spite of a recent return from Tokyo, the Foreign Editor was understandably relaxed as he reported to the start on Blackheath last Sunday and joined the throng under the banner marked 3 hrs 15 mins. The weather was not up to Mittython standards. Rain thrashed down. Disposable garbage bags were de rigeur. Blue skies were forecast. It was sad that he would be home and wet by then.

Prince Charles dropped the flag. For the first ten miles all went as though pre-recorded. Whipping past the Cutty Sark, our hero punched the air for the benefit of the TV cameras. This thing was proving a bit of a stroll.

Ah, Hubris! In Jamaica Road and Tooley Street fatigue set. Not breathlessness nor a pounding heart, but an aching weariness in the abdomen and heavy legs. He was longing for the half-way mark of Tower Bridge.

And when he turned a corner and saw it, he despaired because he knew he had to run straight over it, and on. He was now at the start of a half-marathon, a considerable trial, and his tank was empty. The whole project had suddenly become impossible.

And therefore interesting. This was the total demolition of the comfortable life he had sought all along. Miles 13 to 15 were the most psychologically painful. The illusions of the Mittython were shredded. A tide of runners, many of them clowns and funny men began to sweep past him.

Glory-power was replaced by shame-power. He wanted to go to sleep and wake up on Westminster Bridge. He tried running with closed eyes, but in vain.

With the spirit destroyed, the Isle of Dogs took care of the destruction of the body. He craved glucose and was astonished to find the sweetness of a proffered toffee flowed straight through into his legs. Courageous blind runners and men in wheelchairs swept past him. He was finished. He had to walk. It was the Wall.

Then a friend came past and in the attempt to keep up with him it became possible to run again. He would make it in under four hours.

Ah, nemesis! He floated in this disembodied state. The slants and humps of those cobbles beside the Tower of London did for him. Cramps shot up and down his legs and he lunged for the railings. He rocked back up onto his noodle legs and lurched onwards. Six miles to go.

He went through the finish like Alec Guinness coming out of his River Kwai hotbox. Four hours eight minutes, said the clock. He applied seasonal adjustment and made that 3 hrs 59 mins. He would skip the Mars reception. Skip? Ha! He was last seen crawling backwards down the stairs into Waterloo Tube station.

The lesson was, simply, the need for training. He had never felt chest pains nor been breathless. His feet, cushioned in carefully chosen shoes, had hurt not at all. He had merely proved the rule-of-thumb: the body will run, as opposed to stagger, only three times what it is asked to run in daily training. A Marathon thus demands nine miles, which in turn takes 1 hr 15 mins, which means you must be unemployed or obsessed to have a shot at it.

Later that evening a white-faced impresario faced a packed audience at the Royal Philharmonic Hall. He announced that the greate Michelangeli was indisposed. Amid the roar of disappointment, the Foreign Editor levered himself to his feet in Row 15. "I happen," he called out, "to play Ravel's piano concerto rather well. But you will have to carry me onto the stage . . ."

Men in red coats appeared. There was a hushed expectancy as they carried our hero out through the artist's entrance and dumped him in the street.

As he sat there, waiting for the Rolls, he understood the London Marathon for the first time. The England cricketers had refused his offer of help in the West Indies. Papworth Hospital was uninterested in his fresh approach to open heart surgery. But he and 20,000 other people had been allowed to run the London Mittython.

Nicholas Colchester

John Barrett on the shocks of top tennis

Season of fallen stars

SELDOM HAS a tennis season begun with such uncertainty surrounding so many of its leading male performers. With Ivan Lendl nursing a knee injury, John McEnroe in self-imposed isolation with Tatum O'Neill as they await the arrival of their first child, Jimmy Connors under suspension until two weeks before Wimbledon, and Boris Becker still out of action with an injured right thigh, it is difficult to forecast who will set the pace as the game moves outdoors after the indoor season.

The first major European clay court tournament in Monte Carlo this week has offered few clues. Rain every day has ruined the week and exposed players to the risk of injury.

Last season, the likeable Swede, Henrik Sundstrom, suffered a torn stomach muscle around the time of Wimbledon. He chose to play and lost unexpectedly in the first round to Greg Holmes. Instead of resting completely, he struggled to the quarter finals in Boston and Båstad but crashed in the first round of the US Open to Martin Jaite. Still not cured, he had two further first-round losses in Barcelona and Stockholm. By now, confidence was shaken and an early loss in the Australian Open concluded a miserable year in which his ranking slipped from 7 to 22.

By contrast Sundstrom's 18-year-old fellow countryman, Kent Carlsson, was forced to rest at the end of 1984 when a knee injury necessitated an operation. He did not start to play until April, 1985, and spent the rest of the year rebuilding strength and confidence. His persistence and hard work paid dividends two weeks ago in Bari, where he beat Horacio de la Pena of Argentina 7—5 6—7 7—5 in a 4 hour 7 minutes final that won him a first Grand Prix title and proved his fitness beyond a doubt.

Stefan Edberg has just ended a four-week lay-off following a pulled stomach muscle, similar to Sundstrom's, that caused him to default in the semi-final at Boca West in February. Instead of being tempted to play on, he rested, received daily treatment and then resumed practice before going back to competition in Rotterdam. Becker, too, resisted the temptation to play this week in Monte Carlo, after cancelling exhibitions in Hong Kong and Germany last week—this, in spite of the pressure of being a Monaco resident. It was a wise decision, even though every week away from competition makes resumption more difficult.

It is this hard fact of tennis life that makes the problem facing Connors and McEnroe so fascinating. Connors, at 33, was already showing signs of slowing down late last year. This long break might prove disastrous to his career. McEnroe has not competed since the Masters in January and will not resume until the French Open at the end of May, if then.

Connors . . . can he climb back to the top?

News of McEnroe's doings in California is sparse, but his father insists that he is training hard to get himself fully fit. If that is true, it will be that first time in his life he has trained like this. But even that would not compensate for lack of match play. A natural athlete, McEnroe's speed of movement and reflex were sharpened by fierce and frequent competition from the age of 17.

When last year, in his 27th year, he stopped playing doubles, there was a noticeable falling off. The present long stoppage will have much greater effect.

At the highest levels, tennis becomes a matter of instinctive reaction to the pace and direction of the ball. That is why continuity is vital. After a lay-off, you start to operate on the conscious level. Spontaneity is lost and along with it goes confidence. Even as great a player as Bjorn Borg twice found it impossible to make a come-back.

When, after a winter's rest, he lost to Henri Leconte at Monte Carlo the first time, his normally accurate shots missed by yards. Ironically, his second attempt at revival in Stuttgart was also ended by Leconte with an equally incompetent display after some really serious preparation.

Practice, however intense, is no substitute for match play. You forget what to do at the big moments. That is why we may never see Connors and McEnroe at the top again. Like most champions, Connors hates to lose, and will not accept a secondary role. Similarly, a perfectionist like McEnroe will find it impossible to accept losses to players of inferior talent.

Yet the only way back would be to endure many painful defeats while reflexes sharpen and technique returns. I do not believe that McEnroe will be prepared to endure such frustration. We shall see.

Trevor Bailey on two of his great team-mates

Master spinner, master bat

THIRTY YEARS after England regained the Ashes in 1953, National Westminster Bank held a celebration dinner for the 13 England players who had taken part in that memorable series. This was a first, and last supper, because since then Johnny Wardle, Jim Laker and Bill Edrich have all died, Jim and Bill this week.

Walking off the field after England, or more accurately, Jim Laker, had destroyed Australia on an apology for a pitch at Old Trafford in 1956, I kept thinking that it was a dream, because bowlers simply do not take 19 wickets in a match, let alone a Test. What made it all the more improbable was that his England and Surrey partner, Tony Lock, at that time considered the most dangerous bowler in the world on a bad wicket, secured only one and there was considerable rivalry between the pair.

Jim Laker was the finest off-spinner I have seen. Overseas and from over the wicket, Hugh Tayfield and Lance Gibbs have sometimes looked his equal, but in all conditions and from both "over and round" he was in a class of his own, the master craftsman.

Jim brought to business the same shrewd calculated Yorkshire approach which was such a feature of his cricket so it came as no surprise that he proved to be successful. He also became a deliciously laconic television cricket commentator, who possessed a deep knowledge of the game, was invariably fair, even when critical and never became too excited.

After his £11,000 benefit, at the time considered quite exceptional and, his only tour to Australia when their batsmen tried, unsuccessfully to take their revenge, Jim retired and also published a controversial book which was strongly critical of many aspects of cricket. Today's player power did not exist and the establishment sent him into purgatory for several years.

My memories of Jim include seeing Table Mountain at dawn, New Year's Eve in Kingston and Christmas in Australia, but my most abiding memory will always be Jim bowling. There was that slightly disdainful hitch of the trousers as he began his measured approach. After being hit to the boundary he would inspect his enlarged spinning finger. No dramatic gesture followed a misfield, or a dropped catch. Jim merely stood there quietly tapping his foot, massaging that finger and lifting his eyes upwards, as if asking for justice and a suitable punishment for the offender, a delightful, underplayed cameo.

Bill Edrich was a complete batsman with an exceptional defence (few have watched each ball on to the bat more closely) and a wide range of attacking strokes, including a spectacular lofted on-drive against slow bowling. Like so many little men he was a superb hooker. As one might have expected from a former RAF bomber pilot with the DFC he was absolutely fearless.

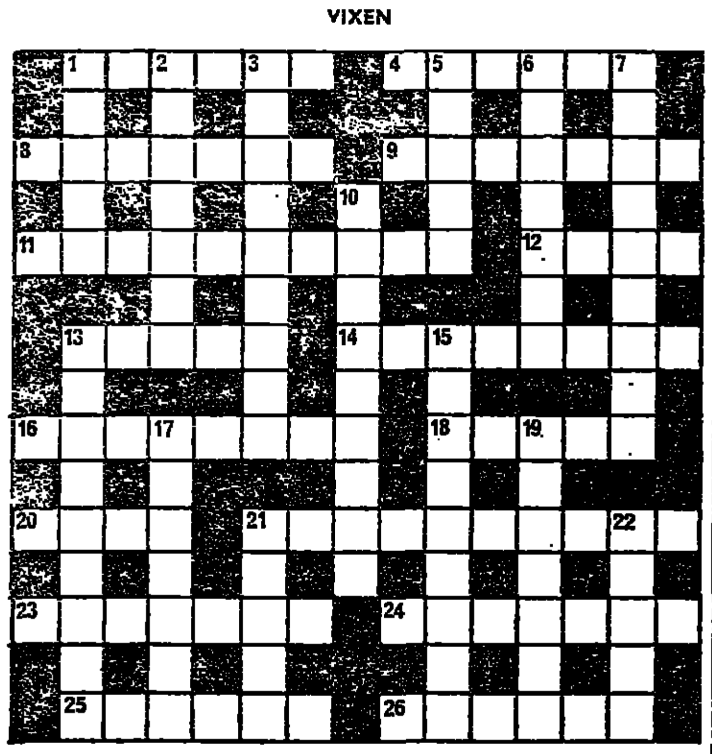
Bill was a born fighter. The bowling could be very fast with the ball lifting sharply off a length, but he would invariably be behind every delivery. On one occasion I was batting with him when he received a very painful knock from Australia's Ray Lindwall. I made the big mistake of asking him how he was and, without bothering to rub the badly bruised spot, he gave the typical Edrich answer. "Of course I'm all right, let's get on with it."

Possibly as the outcome of his wartime experience Bill believed life was for living, not for existing. He loved parties, bringing to them the same zest and enthusiasm which epitomised his cricket. He thought they should never end before dawn and at the slightest hint one of them might was always prepared to provide an impromptu cabaret act.

His favourite party piece involved an egg, glass of water, tray, and a broom, which was more entertaining when it failed than when it succeeded. In the Scarborough Festival he became a legend. He never went to bed until dawn but somehow always scored a century.

FT CROSSWORD PUZZLE No. 6,007

VIXEN



Prizes of £10 each for the first five correct solutions opened. Solutions to be received by next Thursday, marked Crossword on the envelope, to The Financial Times, 10 Cannon Street, London EC4P 4BY. Solution next Saturday.

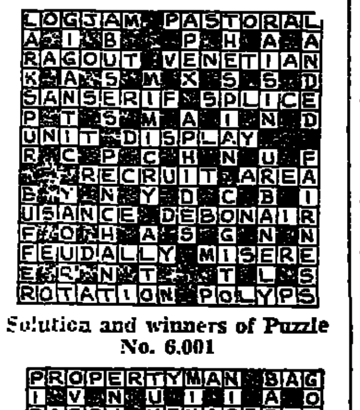
ACROSS

1 Cars wrecked by a driver lacking experience, a rogue (6)
4 20 across will accommodate the French climber (6)
8 Bill is able to speak well (7)
9 A university man's pet—a great dog (7)
11 Not the offspring of a sea-creature! (4,6)
12 Seeing a painter about is unusual (4)
13 Combine in the summer—get amalgamated (5)
14 Asking a lot of questions when doing the cooking (8)
16 Bring the wrong polish (8)
18 Close study sensibly begun (5)
20 Mark's shown private transport is used by a quarter (4)
21 They're opposed to search at worker's get-together (10)
23 A stand-off could render one thousand out-of-date (7)
24 Inverts models tried (7)
25 One and one don't make two! (6)
26 Rows occasioned by old kitchen-equipment (6)

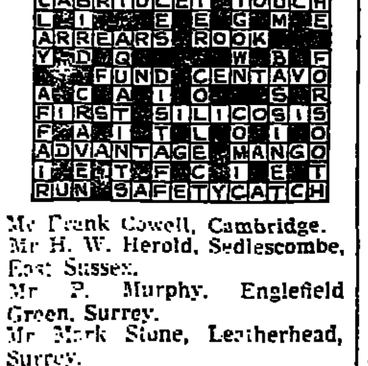
DOWN

1 Get up about noon and wash (5)
2 Plug sport and P.E. perhaps (7)
3 The guy offering constructive suggestions (9)
5 A seat of learning? (5)
6 Landed with real problem, that's true (7)
7 Mention credentials (9)
10 This could well entitle a person to play (5-4)
13 Wise associate (9)
15 Turning up to help in hotel, one's a drink's required (6, 3)
17 Refuse to dress before time (7)
19 Approaching constituents in anger (7)
21 Accountants—the heartless class (5)
22 In a stressful situation one may suffer loss of hair (5)

Solution to Puzzle No. 6,006



Solution and winners of Puzzle No. 6,001



Mr Frank Cowell, Cambridge.
Mr H. W. Herold, Sedlescombe, East Sussex.
Mr P. Murphy, Englefield Green, Surrey.
Mr Mark Stone, Leatherhead, Surrey.
Mrs T. Wilson, Nuenen, Holland.

TELEVISION AND RADIO

SATURDAY

† Indicates programme in black and white

BBC 1

6.30 am The Saturday Picture Show. 10.45 Grandstand, including 1.00 News; Snooker; Boxing; Football ("Focus," Half-time and at 4.40 Final Score); Squash; Motor Sport; Ice Hockey; Rugby League.

5.05 News. 5.15 Regional programmes. 5.20 The Muppet Show. 5.45 The Dukes of Hazzard. 6.30 Every Second Counts. 7.05 The Colditz... 7.55 Film: "Chisum" (John Wayne stars with Forrest Tucker). 9.45 News and Sport. 10.00 Cagney and Lacey. 10.50 Film: "FM" (story of Radio station QSKY—on "all music" station).

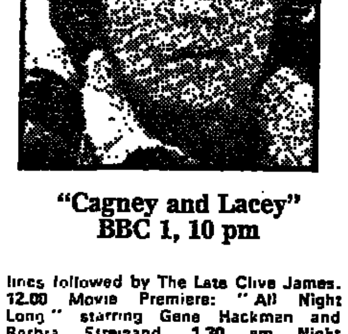
BBC 2

1.55 pm Film: "How To Succeed in Business Without Really Trying." 3.50 Laramie. 4.40 Bach From Edinburgh. 5.10 Snooker. 6.25 Horizon: The Man Who Bottled a Cow. 7.15 News-view. 7.55 Around With Alliss. 8.35 Snooker. 9.45 Film: "Heimat." (Part 8). 11.30 Rugby Special (The English and Welsh Cup Finals). 12.30-1.35 am Snooker.

LONDON

6.55 am TV-am Breakfast Programme. 9.25 No 73. 11.00 Captain Scarlet. 11.30 Secret Valley. 12.00 News. 12.05 pm Saint & Greavsie. 12.30 Wrestling. 1.20 Airwolf. 2.15 Benson. 2.45 Tennis —The Monte Carlo Open. 4.45 Results Service. 5.00 News. 5.05 Connections. 5.35 Robin of Sherwood.

6.30 Child's Play. 7.00 Cannon and Ball. 7.30 The Price is Right. 8.30 Tarby and Friends. 9.15 C.A.T.S. Eyes. 10.15 News and Sport. 10.30 The Big Match. 11.15 LWT News Headlines followed by The Late Clive James. 12.00 Movie Premiere: "All Night Long" starring Gene Hackman and Barbra Streisand. 1.30 am Night Thoughts.



"Cagney and Lacey" BBC 1, 10 pm

CHANNEL 4

1.45 pm Channel 4 Racing from Sandown. 4.00 "San Ferry Ann". 5.05 Brookside Omnibus. 6.30 Right to Reply. 6.30 News Summary followed by Credo. 7.30 Africa. 8.30 Held in Trust. 9.00 Royalty. 10.00 Hill Street Blues. †11.00 "Abbott and Costello Meet Frankenstein." †12.30 am "The Mummy's Curse" (Lon Chaney Jr stars).

S4C WALES

1.45 pm Racing from Sandown. 3.45 Rygbi (Caerdydd v Casnewydd). 5.00 Worldwise Reports. 5.30 Worldwise '86. 6.30 Club Mix. 7.00 Hwrlibwrli. 7.30 Newyddion. 7.45 Stumal. 8.15 Noson Lawen. 9.15 Y maes chwarae. 10.35 The Cosby Show. 11.05 Feature Film: "Merry Christmas, Mr Lawrence."

REGIONS

IBA Regions as London except at the following times:

ANGLIA

11.00 am Tarzan. 2.15 pm Off the Rack. 5.05 SWALK. 11.15 When The Music's Over. 12.15 am At the End of the Day.

BORDER

11.00 am Tarzan. 2.15 pm The Protectors. 8.05 Dreams. 11.15 Air Supply in Hawaii.

CENTRAL

11.00 am The Greatest American Hero. 1.20 pm The Saturday Western: "Fort Worth" starring Randolph Scott and David Brian. 5.05 Mr and Mrs. 11.15 Hammer House of Mystery and Suspense. 12.45 Closedown followed by Central Jobfinder (A 60-minute programme focusing on job vacancies and offering advice to the unemployed in the Central Television area).

CHANNEL

11.00 am The Greatest American Hero. 11.55 Today's Weather. 2.15 Mr Smith. 5.05 SWALK. 11.15 Quest for the Unknown. 12.15 am After Midnight: John Martyn.

GRAMPIAN

1.10 am The Fall Guy. 2.15 pm Benson. 5.05 SWALK. 11.15 Feature Film: "The In-Laws" (Peter Falk, Alan Arkin and Richard Libertini star). 12.20 am Reflections.

GRANADA

11.05 am Tarzan. 2.15 pm Mr Smith. 5.05 Knight Rider. 6.00 Robin of Sherwood. 11.15 The Lets Film: "Urban Cowboy" starring John Travolta and Debra Winger.

HTV

11.05 am The Champions. 11.58 HTV News. 2.15 pm A Horse in a Million. 5.05 Off the Rack. 11.15 "Firehouse."

SCOTTISH

11.00 am The Glen Michael Cavalcade. 11.45 The Adventures of Jeremy. 2.15 pm British Candid Camera. 5.05 SWALK. 10.30 Feature Film "California Split," starring George Segal, Elliott Gould and Ann Prentiss. 12.30 am Late Call.

TSW

11.00 am Gus Honeybun's Magic Birthdays. 11.03 Freeze Frame. 11.57 TSW News. 2.15 pm The Smurfs. 5.05 Newsport. 5.07 Blockbusters. 10.30 Soccer Special. 11.15 All Star Country and Western Concert featuring Loretta Lynn, Kenny Rogers and Glen Campbell. 12.45 am Postscript.

TVS

11.00 am The Greatest American Hero. 11.57 TVS Weather. 2.15 pm Mr Smith. 5.05 S.W.A.L.K. 11.15 Quest for the Unknown. 12.15 am After Midnight: John Martyn. 1.20 Company.

TYNE TEES

11.00 am The Little House On The Prairie. 11.55 Morning Glory. 5.05 pm Diff'rent Strokes. 11.15 "Conquest of the Planet of the Apes." 12.45 am Post's Corner.

ULSTER

11.00 am Doug Henning's World of Magic. 11.58 Lunchtime News. 2.15 pm A Horse in a Million. 4.58 Sports Results. 5.03 Ulster News. 5.05 Candid Camera. 10.27 Ulster News. 11.15 Hollywood. 12.10 am News at Bedtime.

ULSTER

11.00 am Otherworld. 2.15 pm Candid Camera. 11.15 All Star Country & Western Concert featuring Loretta Lynn, Bonnie Raitt, Kenny Rogers, Delbert McClinton and Glen Campbell.

RADIO

(S) Stereo on VHF

BBC RADIO 2

6.05 am David Jacobs (S). 10.00 Sounds of the 60s (S). 11.00 The News Huddlines. 1.30 Sport On 2 including Football; Cricket (Britannic Assurance County Championship); Rugby Union (The John Player Cup Final); also news from the Embassy World Snooker Championship; the first practice of the San Marino Motor Racing Grand Prix and a look ahead to the start of a new American Football League season. 6.00 Sports Report. 6.00 Ken Bruce presents Two's Best. 7.00 Pop Score. 7.30 Stars of Friday Night Is Music Night. 9.30 String Sound (S). 10.05 Martin Kelner (S). 12.05 am Living Legends (S). 1.00 Bill Rennells presents Nightride (S). 3.00-4.00 am A Little Night Music (S).

BBC RADIO 3

7.00 am News. 7.05 Aubade (S). 9.00 News. 9.05 Record Review (S). 10.15 Stereo Release (S). 11.00 Chicago Symphony Orchestra conducted by Michael Tilson Thomas, part 1: Ives (Symphony No 3, The Camp Meeting), Gershwin (Nocturne for Lily Pons), Varese (Arcana) (S). 11.55 This Sporting Life. 12.00 Concert part 2: Tchaikovsky (Manfred Symphony) (S). 1.00 pm News. 1.05 Pierre Reach piano recital (S). 2.00 Vaughan Williams in His Time (S). 3.20 Boccherini and Paganini chamber music for guitar and strings (S). 4.10 Russian and English Songs (S). 5.00 Jazz Record Requests (S). 5.45 Critics' Forum. 6.35 Music For Organ (S). 7.10 A Most Bewitching Presence. 7.30 "The Bassarids" Hans Werner Henze's opera in a recording of the British premiere at the Royal Albert Hall in June 1968 (sung in English) (S). 9.25 Paul Patterson 10.10 Nash Group of London (S). 11.00 Continental Cabaret Chansons (S). 11.30 Poulenc Piano recital by Paul Crossley (S). 11.57-12.00 News.

BBC RADIO 4

7.00 am News. 7.10 Today's Papers. 7.15 On Your Farm. 7.45 In Perspective. 7.50 Down To Earth. 8.00 Today. 8.50 Yesterday in Parliament. 8.57 Weather; Travel. 9.00 News. 9.05 Breakaway. 9.50 News Stand. 10.05 The Week in Westminster with Peter Riddell, Political Editor of the Financial Times. 10.30 Loose Ends with Ned Sherrin and studio guests. 11.30 From Our Own Correspondent. 12.00 News; Money Box. 12.27 pm Questions of Taste (S). 12.55 Weather. 1.00 News. 1.10 Any Questions? 1.55 Shipping Forecast. 2.00 News; The Afternoon Play (S). 3.30 News; International Assignment. 4.00 The Saturday Feature: Echoes of Tibet. 4.45 The Foxdyke Saga II. 5.00 The Living World. 5.25 Week Ending. 5.50 Shipping Forecast. 5.55 Weather; Travel. 6.00 News; Sports round-up. 6.25 Stop the Week with Robert Robinson (S). 7.00 Saturday-Night Theatre (S). 8.30 Baker's Dozen (S). 9.30 Thriller: "The Ballad of Ruth Rendell" (Part 4 of "A Judgement in Stone"). 9.58 Weather. 10.00 News. 10.15 Evening Service (S). 10.30 The Mischief Makers. 11.00 Science Now. 11.30 Bodgers... Banks and Sparkes (S). 12.00 News.

SUNDAY

† Indicates programme in black and white

BBC 1

8.55 am Play School. 9.15 Knock Knock. 9.30 This is the Day. 10.00 Asian Magazine. 10.30 Switch on to English. 10.55 Women in Science and Engineering Choice. 11.45 With a Little Help from the Chip. 12.10 pm Sorry Mate, I Didn't See You! 12.35 Farming. 12.58 Weather News for Farmers. 1.00 This Week Next Week. 2.00 EastEnders.

3.00 Bonanza. 3.45 Film: Days of Glory," starring Gregory Peck. 5.10 Eurovision Song Contest. 5.45 Antiques Roadshow. 6.25 Richard Baker appeals on behalf of the Winchester Cathedral Trust and looks at the continuing restoration work on Winchester Cathedral. 6.30 News. 6.40 Praise Be! 7.15 Hancock's Half Hour. 7.45 Miss Marple: A Pocketful of Rye. 8.35 Mastermind. 9.05 News. 9.20 That's Life. 10.10 Bioswatch Live from Florida. 10.35 The Rock Gospel Show. 11.10 Geoffrey Smith's World of Flowers. 11.35 The Sky at Night. 11.55 Grand Prix (the 1986 Formula One World Championship).

BBC 2

1.55 pm Sunday Grandstand. 6.00 The Money Programme. 7.15 Young Musician of the Year 1986. 9.25 Film: "Heimat." (Part 9.) (German with English subtitles.) 11.45-1.00 am Snooker. (Highlights.)

LONDON

6.55 am TV-am Breakfast Programme. 9.25 Wake Up London. 9.35 Woody and Friends. 9.45 Roger Ramjet. 10.00 Morning Worship. 11.00 Link. 11.30 Once a Thief . . . ? 12.00 Weekend World. 1.00 pm Police 5. 1.15 The Smurfs. 1.30 Small Wonder. 2.00 Platform. 2.30 LWT News Headlines followed by International Tennis — The Monte Carlo Open. 4.30 The Campbells. 5.00 Albion Market. 6.00 Now You See It. 6.30 News from ITN. 6.40 Highway. 7.15 Catchphrase. 7.45 Lord Mountbatten: The Last Viceroy (part one). 9.45 News. 10.00 Spitting Image. 10.30 The South Bank Show. 11.30 LWT News Headlines followed by Trapper John. 12.30 am Night Thoughts.

CHANNEL 4

1.05 pm Irish Angle presents Hands. 1.30 The Making of Britain. 2.00 The Pocket Money Programme. 2.30 "In the Good Old Summertime," Judy Garland stars with Van Johnson. 4.25 The Three Stooges. 4.45 Durrell in Russia. 5.15 News Summary followed by The Business Programme. 6.00 Second Chance.

6.15 Swimming. 7.15 Path of the Rain God. 8.15 Sinfonietta. 9.00 Zastrozzi, a Romance. 10.00 Swiss Disaster. †10.15 "Love Story," starring Margaret Lockwood and Stewart Granger with Patricia Roc and Tom Walls. 12.15 am Christmas Under Fire.

S4C WALES

1.55 pm Gardeners' Calendar Roadshow. 2.25 Gallery. 2.55 Feature Film: "Two Thousand Women," starring Phyllis Calvert and Patricia Roc. 4.45 Iesu Dduo A Heddiw. 5.15 The Business Programme. 6.00 Second Chance. 6.15 Swimming—Speedo Fast Water Meet. 7.15 Dan Dwy. 7.25 Newyddion. 7.30 Cais Am Gan. 8.00 Newyddion'r Pethe. 8.30 Dechrau Canu Dechrau Canmol. 9.00 Almanac. 9.30 Pia Chwithig. 10.05 Snwcer. 10.45 Feature Film: "Let's Make Love Film. "I Love You Alice B. Toklas," starring Peter Sellers.

REGIONS

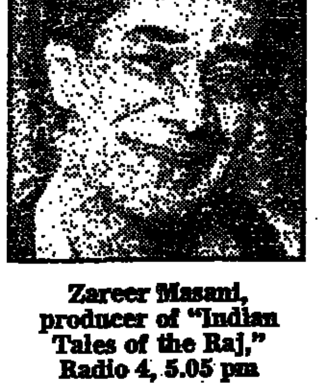
IBA Regions as London except at the following times:

ANGLIA

9.30 am The Prizewinners. 11.00 pm The Beverly Hillbillies. 1.25 Weather Trends. 1.30 Farming Diary. 4.30 The Smurfs. 5.00 The Campbells. 5.30 Now You See It. 6.00 Albion Market. 11.30 The New Avengers. 12.30 am Adam's Children.

BORDER

9.25 am Gardening Time. 9.55 Border Diary. 1.00 pm Tarzahawks. 1.30 Farming Outlook. 4.30 Survival. 5.00 The Campbells. 5.30 Look Who's Talking. 6.00 Albion Market. 11.30 Jazz Special (Nina Simone at Ronnie Scott's).



Zareer Masani, producer of "Indian Tales of the Raj," Radio 4, 5.05 pm

CENTRAL

9.25 am Wattoo, Wattoo. 9.35 Terrahawks. 1.00 pm Here and Now. 1.30 Gardening Time. 4.30 The Pit Lab. 5.30 The Campbells. 6.00 Albion Market. 11.30 Jazz. 12.30 am Closedown followed by Central Jobfinder (a 60-minute programme focusing on job vacancies and offering advice to the unemployed in the Central Television area).

CHANNEL

9.25 am Today's Weather. 9.25 Starting Point. 9.30 Les Francais Chez Vous. 1.00 pm That's Gardening. 1.30 Video Club. 1.45 The Dolmen Builders. 6.00 Now You See It. 11.30 Man in a Suitcase.

GRAMPIAN

9.25 am Max the 2,000-year old Mouse. 9.35 Sesame Street. 10.30 Fireball XL5. 1.00 pm Farming Outlook. 1.30 Now You See It. 2.30 Scotsport. 4.30 The Campbells. 5.00 The Phyllis Diller Show. 5.30 The Blue Hat. 6.00 Albion Market. 11.30 Man from the Darkside. 12.00 Reflections.

GRANADA

9.25 am Max the 2,000-year-old Mouse. 9.35 California Highways. 11.00 Once a Thief . . . ? 11.25 Aap Kaa Hak. 11.30 The Campbells. 5.00 Small Wonder. 1.30 Cartoon. 1.35 Simon and Simon. 4.30 Platform. 5.00 The Campbells. 5.30 Now You See It. 6.00 Albion Market. 11.30 Hardcastle and McCormick.

HTV

9.25 am Max the 2,000-year-old Mouse. 9.35 Fireball XL5. 1.00 pm Gardening Time. 1.30 Farming Wales followed by Weather for Farmers. 4.40 Survival. 5.00 The Campbells. 5.30 Albion Market. 11.30 The New Avengers.

HTV WALES—As HTV WEST except: 1.00-1.30 pm Pool.

SCOTTISH

9.25 am Foo Foo. 9.35 The Smurfs. 10.00 Sesame Street. 1.00 pm Farming Outlook. 1.30 Now You See It. 2.30 Scotsport. 4.30 The Campbells. 5.30 Diff'rent Strokes. 5.30 Me and My Girl. 6.00 Albion Market. 11.30 Mapp and Lucia. 12.30 am Late Call.

TSW

9.25 am Link followed by South West Link. 11.00 Once a Thief . . . ? 12.25 Look and See. 1.30 The South West Week. 1.00 pm Gardens For All. 1.30 Farming News. 4.30 S.W.A.L.K. 5.00 Gus Honeybun's Magic Birthdays. 5.03 The Campbells. 5.30 Now You See It. 6.00 Albion Market. 11.30 The South West Week. 12.00 Postscript Postbag.

TVS

9.25 am Action Line. 9.35 Cartoon Compilation. 1.00 pm Agenda. 1.30 Enterprise South. 11.30 Man in a Suitcase. 12.30 am Company.

TYNE TEES

9.25 am Morning Glory. 9.35 Gather Your Dreams. 11.25 Sunday Lockaround. 1.00 pm Farming Outlook. 1.30 The New Squadronaires. 5.00 Galactica '80. 6.00 Albion Market. 11.30 With Good Reason. 12.00 Epilogue.

ULSTER

9.40 am Advice with Anne Hailes. 12.58 pm Lunchtime News. 1.00 Farming Ulster. 1.28 Farming Weather. 1.30 Gardening Time. 4.30 Diff'rent Strokes. 5.00 The Campbells. 5.30 The Lesson is Ulster "Religion." 6.00 Albion Market. 6.28 Ulster News. 9.57 Ulster News. 11.30 Sports Results. 11.35 The Mysteries of Edgar Wallace. 12.35 am News at Bedtime.

YORKSHIRE

9.25 am Link. 11.00 Once a Thief . . . ? 11.30 Farming Diary. 1.00 pm Man in a Suitcase. 4.30 Benson. 5.00 The Campbells. 5.30 Mr and Mrs. 6.00 Albion Market. 11.30 Marque of a Legend. 12.30 am Five Minutes.

RADIO

(S) Stereo on VHF

BBC RADIO 2

7.00 am Robert Royle says Good Morning Sunday (S). 9.05 Melodies For You (S). 11.00 Desmond Carrington with your Radio 2 All-Time Greats (S). 2.00 pm Benny Green (S). 3.00 Alan Dell with Sounds Easy (S). 4.00 Jazz Classics in Stereo (S). 4.30 Sing Something Simple (S). 5.00 Charlie Chester with your Sunday Soapbox. 7.00 Words by Tim Rice. 7.30 Glen Mason (S). 8.00 Just Wilson. 8.30 Sunday Half-Hour from North Church, Perth. 9.00 Your Hundred Best Tunes (S). 10.05 Songs from the Shows, introduced by Alan Keith. 10.05 Songs from the Shows. 10.30 Jazz Score. 11.00 Sound of Jazz with Peter Clayton (stereo from midnight). 1.00 am Bill Rennells presents Nightride (S). 3.00-4.00 A Little Night Music (S).

BBC RADIO 3

7.00 am News. 7.05 Franck and his Circle (S). 8.00 David Munrow directing the Early Music Consort of London in Dufay and Robbins (S). 9.00 News. 9.05 Your Concert Choice (S). 10.30 Music Weekly (S). 11.15 Michele Campanella piano recital (S). (1.10 Interval Reading). 1.40 La Capricciosa Various parties on an original melody by Bertahude, played by Mirca Meyerson (harpsichord) (S). 2.10 Nash Ensemble Tippett (Sonata for 4 horns). Scottish National Orchestra (S). 2.45 Interval Reading. 2.50 Mozart (Serenade in B flat, K 361) (S). 3.45 The Configuration—A Singakai... manonettes by Haydn sung in English (4.25-4.30 Interval Reading) (S). 5.15 A Captive Lion (biography of the poet Marina Tsvetayeva) (S). 6.15 Russian Music for String Quartet—Part 1: Les Vendredis (Book 1) (S). 6.55 Changes. Poetry anthology. 7.05 Russian Music. Part 2: Quartet no 5. The Modern Novel (short story). 8.00 BBC Philharmonic Orchestra conducted by Guido Ajmone-Marsan: Bloch (Schelomo), with Alexander Baillie, cello; Dvorak (Symphony No 8) (S). 9.35 Anthony Payne, song cycle (S). 9.50 The Quality of Cabbies. Government. 10.00 Peter Donohoe piano recital (S). 11.00 Samuel Wesley (S). 11.57-12.00 News.

BBC RADIO 4

6.00 am News. 6.10 Sunday Papers. 6.15 Prelude. 6.30 Collins—A Life for the Week's Good Cause, about the importance of helping families of people in prison. 6.55 Weather; Travel; News. 9.10 Sunday Papers. 9.15 Letter From America by Alistair Cooke. 9.30 Morning Service. 10.15 The Archers (Omnibus edition). 11.15 Pick Of The Week (S). 12.00 pm It's Your World (Phone-in to Lord Carrington, Secretary-General of NATO). 12.55 Weather. 1.00 The World This Weekend; News. 1.55 Shipping Forecast. 2.00 News; Gardeners' Question Time. 2.30 The Afternoon Play (S). 3.30 Lady Lay for Love. Rock (S). 4.00 News; The Food Programme. 4.30 The Natural History Programme.

5.00 pm News; Travel. 5.05 Indian Tales of the Raj. 5.35 A Grand Fantastic Dimension. 5.50 Shipping Forecast. 5.55 Weather. 6.00 News. 6.15 Weekend Woman's Hour. 7.00 Some... Joseph Andrews by Henry Fielding. 8.00 Bookshelf with Hunter Davies. 8.30 Three Weeks in the Mosaic. 9.00 A Very Warm Welcome. 9.58 Weather. 10.00 News. 10.15 The Sunday Feature: Enterprise—Where Are They Now? A look at some of the companies which have been featured in "Enterprise" over recent years. 11.00 Ray Short. At Fresco (S). 11.15 In Committee. 12.00 News.